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PRC JOURNAL VIEWS RESTRICTIVE FACTORS IN FOREIGN TRADE

HK210707 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 12, 20 Dec 85 pp 22-28

[Article by Huang Fangyi [7806 2455 3015] of the International Problems Research Center of the State Council: "Restrictive Factors in China's Introduction of Foreign Technology and External Trade"--passages within slantlines published in boldface]

[Text] Since 1979, under the guidance of the basic national policy of opening up to the outside world, there have already been many heartening changes in our country's work of introducing foreign technology and foreign economic relations and trade in terms of its scale, structure, and system of policy decisions. The scale has already grown fairly big, the forms are becoming increasingly diversified, and this work has made certain contributions to the development of our country's national economy. We have already changed the closed state of our country's economy and taken an important step toward the world. However, generally speaking, there is not yet a benign cycle in the process of the introduction of foreign technology. This is because our country is still at the initial stage of opening up to the outside world. In the past it has closed its door and been internally oriented for a long time. Since it announced the opening up to the outside world, it has failed to make corresponding radical changes in its existing development strategy, economic parameters, system of foreign economic relations and trade, overall economic system, policy decisionmaking methods and so on.

I. Current Restrictive Factors in Our Introduction of Foreign Technology and External Economic Relations and Trade

/1. The restriction of the existing internally oriented economic development strategy (imports substitution strategy) to the introduction of foreign technology and foreign economic relations and trade./

Should the ideal strategy for our country's external economic development after the implementation of the policy of opening up to the external world be an import substitution strategy or an export oriented strategy? In other words, should it be an internally or externally oriented strategy? Quite a few people hold that an import substitution strategy is also an externally oriented strategy. This is not correct. In classifying by the standards of the strategy of economic development, in determining whether a strategy is internally or externally oriented, we first examine the end point of the production process--the market. Import substitution is obviously oriented to the domestic market. Second, we look into the question of whether domestic economic policies including economic parameters give priority to imports, regard imports and exports as being equal in importance, or even give priority to exports. Obviously, import substitution denotes a strategy that gives priority to imports. Therefore, the import substitution strategy is undoubtedly an internally oriented strategy. Of course, there are still differences between an internally oriented strategy and "self-sufficient" or that of entirely closing the country to international dealings. The latter two are not only a strategy that relies entirely on domestic forces in the spheres of both output and imput, but are also a strategy of "one kind of resources" and "one market" that entirely rejects the choice of "two kinds of resources" and "two kinds of market."

The essential difference between the import substitution strategy and the export-oriented strategy lies in whether the strategy gives priority to imports, regards imports and exports as being equal in importance, or gives priority to exports. To concretely measure it, we can use the concept of trade bias in the development of economics abroad. To be more specific, under the import substitution strategy, the trade bias is favorable for imports; therefore, the benefit of saving $1 of foreign exchange is greater than that of earning $1 through exports. On the contrary, under the export-oriented strategy, the benefit of earning $1 more through exports is greater than that in saving $1 foreign exchange. The formula for the calculation of trade bias is: B equals Pdm/Pfm divided by Pdx/Pfx. In other words, it is the ratio of domestic price of imported goods (Pdm) to the international price of imported goods (Pmf) divided by the ratio of the domestic price of exported goods (Pdx) to the international price of exported goods (Pfx). South Korea's trade bias is 1.3. This means that the benefit of earning $1 through its exports is 30 percent greater than the benefit of saving $1 of foreign exchange. Hong Kong's trade bias is 1, that of Japan is about 1.1, of Brazil is about 1.3, and of India is 0.5. This is generally the case with other developing countries. In other words, the benefit of earning foreign exchange through exports is only about 50 percent of the benefit of saving foreign exchange. Of course, it is difficult to calculate trade bias and there have as yet not been such statistics in our country. According to our rough estimate, our country's trade bias is also about 0.5, roughly the same as that of India and most of the other developing countries.

If we want to open up to the outside world, we should learn the method of using two kinds of resources--domestic and foreign resources, and two kinds of markets--domestic and foreign markets, and we should learn the skill of dealing with both domestic and foreign affairs. In other words, in order to open up to the outside world in an all-round and mature manner, we should not only "open"--allow in, including imports of foreign goods and introduction of foreign technology, but should also "let out"--export our goods to occupy international markets. We should not adopt a policy that gives different treatment to imports and exports, giving preferential treatment to imports and neglecting exports. The above-mentioned trade tendency and series of facts in our country show that the external economic development strategy that our country is implementing at present, viewed as a whole, continues to tend to a fairly high degree toward substituting domestic products for imports. In other words, our country adopts the policies that are conducive to imports but not to exports. With such a strategy, we are only opening to imports but not to exports, or opening wider to imports but less widely to exports, or entirely opening to imports but only half opening to exports. In short, we only have "one market" or, at most, only "one and a half markets" rather than "two markets," which is the target we want to attain. Implementing a development strategy that tends to substitute domestic products for imports will inevitably give rise to a sharp increase in imports and reduction in exports and to a shortage of foreign exchange and even to a debt crisis, and will inevitably restrict the introduction of foreign technology by draining the funds for it and will often cause the introduction to grow out of control. Therefore, from the point of view of development strategy, this is the key to quickly developing our country's foreign economic relations and trade and radically changing the passive situation in our country's introduction of foreign technology. If we do not change the tendency of "opening only to imports but not to exports" or "opening more to imports than to exports," if we do not change the tendency of substituting domestic products for imports, and if we do not adopt an economic development strategy that gives equal priority to both imports and exports, it will be difficult for our country to sharply increase its foreign trade and it will be impossible for it to conduct the work of introducing foreign technology on an even larger scale.

Of course, we do not entirely negate the import substitution economic strategy that our country has implemented for a long time. This strategy has played a positive role in expanding our country's economic and industrial systems which are themselves independent and complete systems. However, the task of substituting domestic products for imports has already been fulfilled (manufactured goods are produced in our country). Many goods that are made to replace imports including durable consumer goods (color television sets, refrigerators, tape recorders, and washing machines) have already been produced or will be produced in such great quantities as to saturate the market. It becomes natural and increasingly necessary for us to further maintain or expand the production scale, improve product quality, lower production costs, sharpen our competitive edge and thus enter the international market. Therefore, creating conditions as soon as possible in order to complete the transition from the import substitution strategy to the export-oriented strategy is an important policy decision that we must put on the agenda for consideration.

/2. The restriction of our current economic parameters to our introduction of foreign technology and to our foreign economic relations and trade./

This gives a more detailed and specific explanation of the above-mentioned economic development strategy. The economic parameters related to external economic relations generally denote exchange rate, tariff, prices, tax exemption (repayments of taxes paid), subsidies, import licenses, export credit, percentage of retained foreign exchange, and so on. These are the external conditions for introduction of foreign technology and for export enterprises to carry out economic activities. Here, we focus on discussing the problem related to exchange rates. Like most developing countries, we have not yet thoroughly overcome the tendency of overrating our exchange rate. Overrating our exchange rates in fact means a covert value-added tax on exported goods, thus hurting people's initiative in carrying out export activities. Moreover, if effective exchange rates (the weighed average of official rates and market rates) are lower than shadow exchange rates (equilibrium rates), then the impact of policies that encourage exports, such as the provision of export credit and the granting of export subsidies, will be offset, and these policies will fail to attain the aim of encouraging exports. Of course, it is not easy to determine and adopt an equilibrium rate because it is affected by many factors. However, gradually lowering our exchange rates and making them approach appropriate exchange rates (rational rates) is feasible. The rational reates differ from the equilibrium rates in that the latter is the exchange rates when supply of an demand for foreign exchange are in balance, where there is no government administrative intervention, while the former is determined on the principle of whether it can promote exports. Judging by the experiences gained by developing countries, in transforming an internally oriented economy into an externally oriented economy, or in switching from an import substitution strategy to an export-oriented strategy, what brings about essential and radical changes is the reform in foreign exchange administration. Changes in exchange rates have a direct impact on the above-mentioned trade bias (B). We can cite some simple experiences that have been gained by developing countries (areas) in this sphere.

In 1964, Brazil unified its three previous exchange rates (the official rate, non-trade rate, and the black market rate). However, in August 1967, the unified rate was publicly abolished and the black market emerged again. In August 1968, the government began to implement a policy to constantly devalue its currency by a small percentage. In the 15 years to August 1973, it devalued its currency every 47 days and the average range of devaluation was 1.45 percent. By so doing, it curbed speculation in foreign exchange and promoted exports. The first step that South Korea took in opening its economy to the outside world was to adopt a unified exchange rate that was about the same as the equilibrium rate. Since the two sharp devaluations in 1961 and 1964, it has adopted a policy of devaluing and readjusting the exchange rates of its currency by a small percentage at irregular intervals.

For our country, the key to the realization of the transformation from the internally oriented strategy to an externally oriented strategy is to change our exchange rates. Strengthening the relations between domestic and international prices through readjusting our exchange rates is the orientation for the transformation of our country's external economic development strategy, and is also an important indirector of entry to a mature stage in opening up to the external world or for a mature open-type economy. Only by conducting a series of strategic readjustments in this direction can our country's economy become really open to both imports and exports, can we really fully utilize both domestic and international resources and boht domestic and international markets and learn the two skills of conducting both domestic and international economic activities.

In addition, tariffs also play an important role in transforming our external economic relations and trade strategy. It can induce a change in the composition of our imports and exports. In particular, it operates as a brake to readjust the amount and composition of the introduction of foreign technology. Our country's existing tariff system is not conducive to the introduction of foreign technology. The major problems in it are not whether a tariff is imposed or not, or whether the tariff rate is high or low. The major problem is the rigidity of our country's tariff system, which lacks the elasticity to make flexible changes in accordance with our strategy of introduction of foreign technology. According to the theory of substituting domestic products for imports, an ideal tariff protection should be a decomposable, orderly, continuous, and elastic protection. In particular, at the later stage of imports the development of the practice of substituting domestic goods for imports, what is replaced by domestic products is complicated machine-made manufactured goods. Generally speaking, the practice of substituting domestic products for imports can be divided up into three stages: the stage of final products, that of semi-finished goods, and that of production equipment. At the first stage, we substitute domestic products for our imports of final products: therefore, we protect our final products by imposing a high tariff on final products, but allow a low tariff on semi-finished product and production equipment to facilitate importing them. At the second stage, we substitute domestic products for our imports of semi-finished products; therefore, we also impose a high tariff on semi-finished products to protect our semi-finished products and only allow a low tariff on production equipment to facilitate the import of production equipment. At the third stage, we impose a high tariff on the import of production equipment as well so as to complete the entire process of substituting domestic products for all imports including final products, semi-finished products, and production equipment for a certain kind of product. However, at present, our country's tariff varies as time and place vary. The results are just as some foreign businessmen say: We have already introduced their technology, but are continuing to import the products produced by the same technology. The existing taxation is also unfavorable for those who introduce foreign technology. This is shown in the fact that except for joint Chinese and foreign capital enterprises, we give no preferential tax treatment to the enterprises that have introduced foreign technology. This not only fails to encourage the introduction of foreign technology, but is also detrimental to spreading the introduced technology and to the invention of new technology.

Besides the above-mentioned problems related to exchange rates and tariffs, it is also worth mentioning that our financial and monetary policies will also affect our external economic activities. Generally speaking, the adoption of a deflationary policy can often restrict the sharp increase in imports and in the introduction of foreign technology. At the same time, it can stop the increase in the costs of exports and thus protect the competitive edge of our country's products in the international market. Therefore, it can yet be regarded as an important policy to put an end to a situation of imports growing out of control.

/3. The restriction of the existing system of foreign economic relations and trade to the introduction of foreign technology and foreign economic relations and trade/

Like our country's overall economic management system, our country's external economic management system has also been in a bitter dilemma of wandering between centralization that "immediately gives rise to rigidity" and decentralization that "immediately causes disorder." Over the past few years, we have switched from the practice of the central government centralizing the power to examine and approve projects which introduce foreign technology to that of dividing into quotas and transferring the power downward to provinces, municipalities and special economic zones. Basically, this decentralization of power is within the scope of the division of areas. In other words, the power is decentralized and transferred down from big to small areas. We say that this decentralization is a correct measure. In the sphere of external economic activities, even a decentralization of power from big to small areas has a positive aspect. It is necessary for giving play to local initiative, breaking the past rigidity, and enlivening our external economic activites as a whole. However, under the current conditions, this practice is an important cause that gives rise to blind and duplicated introduction of foreign technology. Under the condition of the quality of the existing personnel, the existing methods and level of policy decisions, and economic parameters, it is inevitable for this decentralization of power to give rise to the phenomenon of introduction of foreign technology getting out of control. For a country that has carried out a closed and traditional planned management for a long time, once its implements a policy of opening up to the external world, it is inevitable that its innate internally-oriented investment thirst will extend into an externally-oriented investment thirst--the thirst for the introduction of foreign technology. In addition, along with the process of decentralizing power among areas, a multiplying mechanism will emerge to aggravate this thirst for investment-introduction of foreign technology. The policy decision departments in local governments will more directly feel the pressure from the lower levels than will those of the central government. But more seriously they lack the ability to judge from a macroeconomic angle or to restrict themselves. For example, small areas were slower than big ones to respond to the situation when the excessive growth of introduction of foreign technology was approaching or had even exceeded the limits allowed by our foreign trade and international payments. Therefore, it is inevitable for the introduction to grow out of control

Although the decentralization of power from big to small areas is necessary in the process of our structural reform as a transitional measure at its initial period, it cannot be regarded as a final ideal orientation. The final orientation of our country's reform in the system of its foreign economic relations and trade is to combine production and trade according to the division of industries, and to establish industrial organizations that combine production and trade. Only by combining production and trade can we overcome the separation between technology and trade can we solve the problems that block the spreading of imported technology.

/4. The restriction of the current methods of policy decision to the introduction of foreign technology and foreign economic relations and trade/

Although we have decentralized power and transferred power downward from the central government to local governments and although we have carried out a reform, we have not made many changes in the policy decisionmaking methods in our country's system of external economic relations and trade. The lower levels mechanically followed the policy decisions made by the upper levels and not much improvement has been made on the way policy decisions were made in the past. Generally speaking, there are the following problems in the policy decisionmaking methods concerning our external economic relations and trade and introduction of foreign technology: 1) We rely merely on our brains in making policy decisions. We fail to make enough scientific, careful feasibility studies in making our policy decisions, and rely to a fairly great extent on the subject will of the decisionmakers. 2) Even if we do make some feasibility analysis, it fails to have much quantitative depth and only gives some general description. 3) Even if we make some feasibility analysis and project appraisal, we lack a unified standard for the comparison and measurement in an all-round manner inside the same trade; therefore, we fail to coordinate in an all-round manner inside the same trade; therefore, we fail to coordinate in an all-round manner the work of introduction of foreign technology even inside one trade, let alone the all-round transdepartmental coordination on a nationwide scale. 4) We lack of a method to appraise the social benefit of our projects.

Our method to solve the above-mentioned problems should first be that we study and draw up, as soon as possible in the light of the situation in our country, a plan on our industries that reflects the situation of our equipment, the future development targets, the arrangement of time periods, and the measures to be adopted at present concerning the various industries in our national economy. If we even fail to have a systematic plan for all the trades in our economy, then even if we have a general unified program on the introduction of foreign technology for the whole nation, it will be of no use to us at all. Therefore, we must first draw up a plan on our industries, which is, in other words, a strategy for the development of our various industries. Only on this basis can there be hope for the realization of scientific decisionmaking concerning the introduction of foreign technology.

At present, foreign countries roughly divide various industries into three categories--transformable traditional industries, the industries that will be eliminated by competition, and rising industries. By referring to the different policies that foreign countries have adopted toward these three categories of industries, we can consider our country's corresponding policy decisions and principles on the introduction of foreign technology for these industries. In regard to transformable traditional industries, such as the automobile industry, it seems that we should focus on introducing "mature and advanced technolgoy." In regard to the traditional industries that will be eliminated by competition, we should study a measure to deal with them in light of the reality in our country and we should not adopt the extremist method such as "taking everything" or "rejecting everything." For example, in foreign countries, the aluminum industry is an industry they want to move to other countries. We can consider introducing it and putting it in our country's energy bases such as Shanxi. In regard to rising industries, such as the computer industry, in introducing foreign technology, we must judge whether the technology is advanced by the standards of scientific research in order to maintain and stop the enlargement of the disparity between us and foreign countries.

Another feasible solution is that we research and draw up a feasible and unified method to assess and appraise the economic results and social benefit of the projects which introduce foreign technology. This can for the time being be called a method to mark the economic results and social benefit of such projects. Here, we are going to give a brief account of two tentative ideas.

The first tentative idea is relatively simple. On the basis of the enlightenment that we have gained from the practice of some foreign countries who have divided up the customers to whom they export technology into various categories, we can also make diversified evaluation of the technology that we want to import and divide it up into categories. We will give different priority in approval and allow different treatment (including tariff and tax rates) to the import of the different categories of technology. The central government draws up, promulgates, and controls the standards for the classification of these categories, which are to be implemented by local governments to whom power has been transferred down. This practice is called "the central government sets the tune, and the local governments play it," and "setting the standards in a centralized manner and imposing control in a decentralized manner." These standards for the classification of imported technology can be constantly changed just like our exchange rates. Obviously, in setting the standards for the classification of technology, we should consider a large variety of factors such as its economic results, its advanced level, the trend of changes, the supply and demand relations of its products, and its impact on employment, the state's overall economic targets and plans, the distribution of our national economy and our balance of international payments.

The other tentative idea is that we implement the project appraisal methods that are adopted abroad. 1) We first calculate the "marginal social rate of return to capital employed" (Srr), the formula of calculation being: Srr equals Sq plus (1-2 divided by V, multiplied by Q). In this formula, S is the portion of the increment in per capita GNP that is spent in future investment or in various kinds of social service trade; 1-2 is personal consumption at the average level of consumption; V is the ratio of marginal value S to average personal consumption; and Q is the rate of marginal return to capital employed, in other words, the value of economic results. 2) Then we calculate the social rate of return (Srrl) of a certain project, the formula of calculation being: Srrl equals to Slql plus (l-s)Ql divided by V, multiplied by q). In this formula, Ql is the rate of internal return to capital employed in the project; Sl is the propensity to saving of the social stratum who is benefited by the project; and D is the weight for the consumption level of that stratum. If Srrl is not smaller than Srr, the project can be selected.

/5. The restriction of the problems that have emerged in the development of country's special economic zones to the introduction of foreign technology and foreign economic relations and trade/

Our country is right in regarding the establishment of special economic zones as an important strategic measure to implement its policy of opening up to the outside world. Over the past few years, our country's special economic zones have undergone their initial stage and are now moving toward a mature stage. Judging by what has taken place in the past few years, in the development of these zones, we first encountered the problem of the definition of the nature of these zones. What we call a special economic zone is a general name. It does not show whether we intend to establish an export processing area or a scientific industrial district in such a zone. Judging by the reality in the special economic zones in our country, it seems that they can only be run as special zones in the nature of export processing areas. Moreover, there is an economic development district in almost every one of our 14 open coastal cities. Most of these districts are quite a long way from the centers of these cities and have little technological and industrial foundation or no such foundation at all. It is also fairly impossible for us to turn these districts into scientific industrial districts with concentration of sophisticated technology. The trend of the composition of the enterprises with joint Chinese and foreign capital, enterprises with Chinese and foreign cooperation, and enterprises entirely owned by foreign capital (shortened as three kinds of enterprises) in the past few years has also reflected this problem. First, most of these enterprises are labor-intensive, but few of them are capital-intensive and even fewer are technology-intensive. Among the 190 joint Chinese and foreign capital enterprises approved from 1979-1983, only 20-odd were capital-intensive, accounting for 12 percent. The number of technology-intensive enterprises among them was very few. Our statistics also show that the number of capital-intensive projects with an investment above $5 million fell year by year. It was 14 from 1979-1982, accounting for 17 percent of the total number of projects in that period. It was 9 in 1983, a mere 8 percent. In 1984, there were 12 such projects in Fujian and Beijing, Tianjin and Shanghai municipalities, accounting for only about 6 percent of the total number of projects approved in that year. Among these 12 projects only a couple were technology-intensive ones. Second, the number of nonproduction projects is large, but that of production projects is small. Among the 1,125 projects with joint Chinese and foreign management, only 24 percent were production projects. Among the projects with an investment above $1 million, the percentage of production projects was even smaller (20 percent). Facts have proved that it is difficult to hope that we can rely on our special economic zones to introduce advanced technology from abroad. The major aims for developing countries in establishing their special economic zones are to earn foreign exchange through exports and resolve unemployment problems. If we do not clearly define the nature of our special economic zones, the aim of establishing them and their actual functions are apt to be in conflict. Then it will be difficult for us to put the work in our special zones into an orbit of mature development.

The second problem is the orientation of these zones. What we mean by orientation denotes the question of whether our special economic zones are to adopt an internally oriented or externally oriented strategy, in other words, an import substitution strategy or an export-oriented strategy. The essential nature of our special economic zones in being export processing areas determines that they must only adopt the externally oritned or export-oriented strategy, and regard earning foreign exchange through exports as their major objective. In other words, they should arrange their overall economies in the order of trade, industry, and agriculture. However, this is not what the composition of the three kinds of enterprises has actually reflected. Among the three kinds of enterprises approved from 1979-1983, only 2-3 percent are geared to foreign markets, but the enterprises that were of the type that produced products to replace imported goods, accounted for about 40 percent. The remaining 50-60 percent of the enterprises rely on earning foreign exchange certificates at home for their survival. A fairly large portion of the three kinds of enterprises are set up in our special economic zones and open cities, therefore it is imperative to make clear the strategic orientation that our special zones and open cities should first serve the task of earning foreign exchange through exports. Taiwan has good reasons for regarding increasing income of foreign exchange through exports as a priority condition in approving the establishment of an enterprise using overseas Chinese and foreign capital. Otherwise, the special economic zones that we have estabished will fail to exploit foreign capital but will enable foreign capital to expoit us by entering our market through these zones as "back doors." We must clarify the orientation for our special economic zones. The task of introducing technology, in particular, some high-grade, precision and advanced technology should be assigned to the cities with relatively superior industrial, scientific, and technological foundation such as Beijing, Tianjin, and Shanghai.

At present, the situation relating to foreign exchange reserves and international payments is grim in our country. In the face of this situation, correcting the strategic orientation of our special economic zones and giving play to their functions as export processing areas to increase our foreign exchange income are an imminent urgent task. When we have abundant foreign exchange, we will correspondingly ease the problem of introduction of foreign technology growing out of control from the supply side. Therefore, this is also a critical problem that has a direct bearing on the scale of introduction of foreign technology in the future.

II. Several Alternatives in Improving Our Work of Introduction of Foreign Technology and Foreign Economic Relations and Trade

Through the above analysis, it is possible for us to put forth some orientations that we can choose in improving our work of introduction of foreign technology and foreign economic relations and trade. We make a rough comparison of them as follows:

/Orientation No 1, a major change in our development strategy in order to switch from an import substitution strategy to an export-oriented strategy/

The nucleus of this choice is to relatively sharply change the trade bias (B), and to sharply readjust our economic parameters. The latter mainly means reducing our exchange rates and readjusting our tariffs. This should be coordinated with the work in the reform in our export subsidies and in particular, be coordinated with the reform in the prices at home. By so doing, we will make our trade bias approach and reach 1.

Choosing this development strategy has the advantages that we will thoroughly transform our long-standing closed and internally oriented economy and put it into the externally oriented orbit of opening up to the outside world and thus solve our country's problems in an international environment rather than merely utilizing the environment abroad to enable us to make up for our deficiencies; and that we can exert greater pressure on our enterprises, force them to improve product quality and lower costs and continuously renew their technology, and thus radically put an end to our country's shortage of foreign exchange.

The difficulties in realizing this strategic transformation are: 1) We must simultaneously carry out a price reform at home to coordinate with this transformation, but the establishment of a rational price system at home is not a task that we can fulfill in a short period. 2) If we sharply reduce our exchange rates and thus cause a devaluation of the renminbi, we will sharply aggravate the pressure of inflation at home. This is not a wise measure at present. 3) Linking our domestic prices with international prices will cause world economic fluctuations to be quickly transmitted into our country, having a direct influence on our country's economy.

/Orientation No 2, a major change in our system of introduction of foreign technology and foreign economic relations and trade/

The orientation and ideal target pattern for the reform in our country's system of foreign economic relations and trade can be described as a decentralized system which operates with high efficiency, which combines production with trade, which links technology with trade, and which regards the publicly owned sector as the principle one and allows diverse forms of economies and diverse management methods to coexist.

Reforming the economic system--the pattern of the operation of the economy--also means radically changing the principles and manners of the operation of the economy. Conversely, if we only try to use extraeconomic means to suppress economic activities, we will inevitably be in the dilemma of "giving rise to rigidity as soon as we exercise centralization, and giving rise to disorder as soon as we relax our control."

However, in order to enable our new economic pattern to bring about satisfactory economic results in its operation, we must regard the new pattern of development strategy as an indispensable condition for the contents of its operation. If we fail to change the pattern of strategy and continue to adopt the traditional strategy that pursues a high growth rate, a quantitative expansion, and an expanded reproduction by extension, then the malpractice that will be caused by it and that will be summed up as a "macroeconomic runaway" will be much more serious than the malpractice caused by the traditional old system.

/Orientation No 3, a major change in the policy decisionmaking methods concerning our foreign economic relations and introduction of foreign technology/

Here, the policy decisionmaking methods mainly mean the methods of examining and approving projects of introduction of foreign technology. The development of the methods (including those of the central and local governments and enterprises) should be along scientific lines. Its contents include: We must regard our plans for the introduction of foreign technology for our industries as the foundation and basis, we should implement a responsibility system geared to the examination and approval of projects, and we must have standards of appraisal for both quantitative and qualitative comparison in the whole nation or in the same trade.

This reform in policy decisionmaking methods is necessary following the reform in the system and after the readjustment of the state economic parameters. Even before there are conditions for radical changes in our system and strategy, it is also possible to gradually carry out this reform in methods, and thus help reduce such real dangers as excessive introduction of foreign technology.

The difficulties in carrying out this reform are: We have not yet drawn up the plans for our industries or the plans for the introduction of foreign technology for our industries; we have not yet been provided with ready-made and really practical means of appraisal to examine and approve the introduction of foreign technology; our legal system and environment are not mature yet; and so on.

III. Short-term Arrangement and Overall Scheme

After making a comparison beween and selection of these three orientations, we are able to put forward our proposal on the feasible measures that we can adopt at present, and on the overall scheme of the reform. Our conclusion is: From the point of view of thoroughness in solving the problems, the second choice is the best, the first is next, and the third ranks last. From the point of view of the scope and range of improvement, the first is the greatest, the second is next, and the third ranks last. From the point of view of the maturity of the conditions for them, the third is the best, the first is next, and the second ranks last.

/1. Overall scheme/

According to the above comparison, it seems that the overall arrangement of the reform in our country's introduction of foreign technology and foreign economic relations and trade can be scheduled as follows: In the near future, in other words, in the initial period of the Seventh 5-Year Plan, there should be great changes in our policy decisionmaking methods (orientation No 3), medium changes in our development strategy (orientation No 1), and small changes in our system of introduction of foreign technology and foreign economic relations and trade (orientation No 2). In the intermediate period, in other words, in the middle of the Seventh 5-Year Plan period, there should be great changes in our development strategy (orientation No 1), and intermediate changes in our system of introduction of foreign technology and foreign economic relations and trade (orientation No 2). In the long run, in other words, at the end of the Seventh and the beginning of the Eighth 5-Year Plan, there should be great changes in our system of introduction of foreign technology and foreign economic relations and trade.

/2. Short-term arrangement/

In accordance with the requirement for a relatively relaxed economic environment which must be maintained in carrying out a nationwide economic structural reform, in the next 1 or 2 years--in the initial period of the Seventh 5-Year Plan period, we should implement the guiding thought of "keeping our imports within the scope allowed by our exports and keeping our imports within the limits of our capability of assimilation." "Keeping our imports within the scope allowed by our exports" means that the scale of our imports and introduction of foreign technology must be determined by the capacity of our exports to earn foreign exchange. "Keeping our imports within the limits of our capability of assimilation" means that the scale of introduction of foreign technology must be determined by our country's capability in assimilating the technology. Our capability in earning foreign exchange through exports and in assimilating foreign technology should become two major conditions that restrict our country's imports and introduction of foreign technology. If we fail to pay attention to them, the dangers of excessive introduction of foreign technology and macroeconomic overheating of the whole national economy will be aggravated and thus cause the entire reform and the development of our national economy to suffer setbacks.

According to the above overall scheme and short-term arrangement, at present, we can consider the implementation as soon as possible of the following measures: 1) Under the deflationary financial and monetary policies, we begin to reduce our exchange rates by a small percentage and at long intervals. 2) We should straighten out tariffs and conduct a flexible, orderly, and continuous tariff protection at different stages of the strategy of substituting domestic products for imported goods. 3) We should grant preferential taxation treatment to the enterprises whose products are geared to exports. 4) We should adopt different grades of tax policies toward importing technology, capital, and labor-intensive projects in order to encourage the introduction of technology-intensive enterprises and the capital-intensive enterprises that have development potential. 5) We should switch to arranging production in order of "trade, industry, and agriculture" first in our economic zones, open coastal cities, and open coastal areas. 6) We should organize manpower as soon as possible to make a study of our country's policies on and plans for its industries and plans for the introduction of foreign technology for our industries. 7) We should organize manpower as oon as possible to research really feasible measures of appraisal to compare the gains and losses of the projects of introduction of foreign technology in the whole country or in the same trade. Furthermore, we should also start as soon as possible the work of perfecting our organizations, formulating laws and regulations, training personnel, and so on.

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REGULATIONS ON ENERGY CONSERVATION PROMULGATED

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/Text/ Beijing, 23 Jan (XINHUA)--Provisional Regulations on Supervision of Energy Conservation

(Promulgated by the State Council on 12 January 1986)

Ch I: General Principles

Art 1: These regulations are drawn up for the purpose of implementing the state's general policy of paying equal attention to energy development and conservation, utilizing energy rationally, lowering energy consumption, achieving better economic returns, and ensuring a sustained, steady, and coordinated development of the national economy.

Art 2: These regulations must be observed by all enterprises and institutions in urban and rural areas, as well as by official organs, military units, organizations, and individuals.

Art 3: "Energy" referred to in these regulations includes coal, crude oil, natural gas, electricity, coking coal, coal gas, steam, gasoline, kerosene, fuel oil, firewood, and so forth.

"Energy conservation" referred to in these regulations means achieving maximum economic returns with minimum energy consumption by means of technical improvements, rational utilization, scientific control, and rationalization of the economic structure.

Ch II: Supervision of Energy Conservation

Art 4: An energy conservation administrative conference set up by the State Council shall study and examine the general and specific policies, regulations, plans, and measures for energy conservation reform, and plan and coordinate energy conservation projects. The State Planning Commission and State Economic Commission shall be responsible for daily routine work.

Art 5: The people's governments of all provinces, autonomous regions, and municipalities directly under the central government, and the departments concerned of the State Council shall designate principal responsible personnel to take charge of energy conservation. They may also set up energy conservation administrative conferences. Daily routines shall be handled by energy conservation supervisory organs.

Major energy consuming departments and bureaus of the various provinces, autonomous regions, and municipalities directly under the central government, and of prefectures and cities, shall have principal responsible personnel take charge of energy conservation and shall have relevant supervisory organs.

Energy conservation supervisory organs of local authorities and departments shall be primarily responsible for implementing the state's general and specific policies, regulations, and standards concerning energy conservation. They shall draw up the technical policies and projects concerning energy conservation in their districts, trades, or departments; organize and guide the development and improvement of technical measures for energy conservation; inspect and supervise the work of the various districts and trades, or of enterprises under the various departments, in improving their management of energy conservation; and make overall plans to coordinate the various energy conservation projects.

Art 6: An enterprise whose combined energy consumption amounts to 10,000 metric tons of standard coal or more annually (hereafter referred to as a major energy consuming enterprise) shall have principal responsible personnel take charge of energy conservation and shall have relevant supervisory organs. On the basis of the aforementioned regulations, as well as of the actual situation, the local authorities and departments shall draw up regulations governing those enterprises whose combined energy consumption is under 10,000 metric tons of coal each annually.

An enterprise's energy conservation supervisory organ shall be primarily responsible for implementing the state's general and specific policies, regulations, and standards concerning energy conservation, as well as the regulations promulgated by the local authorities and departments concerning energy conservation. It shall also draw up the enterprise's technical measures for conserving energy, organize their implementation, streamline the scientific management of energy conservation, lower the energy consumption per unit output, and carry out various energy conservation projects.

Art 7: Local authorities, departments, and enterprises shall set up a system of responsibility to control energy conservation.

Energy conservation supervisory organs at all levels shall have cadres and technicians who are knowledgeable in this special field, and who are proficient and enthusiastic in energy conservation.

Art 8: Energy conservation supervisory organs under local people's governments or under departments concerned of the State Council shall also supervise the implementation of these regulations in districts under their jurisdiction, or in their affiliated enterprises.

Besides fulfilling the supervisory responsibilities prescribed in Art 5 of these regulations, energy conservation supervisory organs in various localities and departments may also commission centers providing technical services for energy conservation or other relevant units to monitor and inspect consumption of energy in production and daily life in their districts or affiliated enterprises.

Ch III: Basics for Supervising Energy Conservation

Art 9: The State Statistical Bureau shall establish and improve its energy statistical system. Statistical departments at all levels should work in coordination with the competent departments of various enterprises in compiling energy statistics.

Enterprises should establish and improve their original records and statistical accounts. In accordance with the Statistical Law of the People's Republic of China and other state regulations concerning statistical work, they should send energy statistical charts to statistical departments, energy conservation supervisory organs, and the competent authorities of various enterprises at regular interval.

Art 10: In accordance with the People's Republic of China Law of Weights and Measures, and other relevant regulations, enterprises should have energy-gauging equipment, and should intensify their control of energy measurement.

Art 11: The State Bureau of Standardization should organize the formulation of various basic energy standards and standards for energy control and energy consumption in production. In accordance with the state's standards, as well as their actual situation, various localities and departments should draw up their own energy conservation standards. Enterprises should earnestly follow all the energy conservation standards.

Art 12: In accordance with the standards for assessing combined energy consumption and energy consumption for individual projects--standards formulated by competent departments under the State Council--the competent authorities of enterprises should work in coordination with energy supply departments and, at regular intervals, draw up advanced and rational norms of energy consumption for the major energy-consuming products, and seriously assess the results. Enterprises should institute systems governing the use of energy by setting quotas of energy consumption for various workshops, teams, groups, and machines.

Art 13: An enterprise should analyze its energy consumption and balance its energy use according to its actual needs. Major energy-consuming enterprises should set up a system to assess their combined energy consumption and that for individual projects.

Ch IV: Control of Energy Supply

Art 14: Local energy conservation supervisory organs should work in coordination with energy supply departments and the enterprises' competent departments, organizing them to make a success of energy supply and conservation. Enterprises receive their energy supply on the basis of their performance in energy control, consumption of energy in production, and combined economic performance. According to different situations, enterprises whose energy is basically supplied by the state, receive fixed quantities of energy, or quotas of energy supply on a contract basis. The unused portion are at their disposal.

Art 15: The coal industry should improve coal quality by developing coal sifting, dressing, and processing; and supply coal to consumers in a planned manner, according to their needs.

Departments in charge of coal production, communications, and transport should ensure qualitative and quantitative coal supply in accordance with the state's allocation plan and the contracts they have côncluded with various enterprises concerning coal supply, marketing, and delivery. In addition to supplying coal to such large consumers as the metallurgical, power, chemical engineering, and construction material industries, according to their individual needs, they should also gradually set up fixed supply depots.

Fuel companies in cities should ration the coal supply to medium-sized and small enterprises according to their energy needs.

Art 16: The system for measuring commodity coal and for converting energy into standard coal shall be gradually adopted for coal metology.

Art 17: Supply and consumption of electricity must be strictly planned. Electricity suppliers and consumers enjoy their privileges and fulfill their obligations according to the Regulations for National Power Supply and Consumption, drawn up by the State Council's competent authorities.

There should be multiple power rates. Enterprises should be encouraged to consume power when excessive water has to be discharged during the high-water season, and when power load is in a valley. Power rates should be calculated according to the Interim Regulations for Encouraging the Establishment of Power Plants With Collective Funds and for Multiple Power Rates drawn up by the State Economic Commission and other departments, and transmitted by the State Council.

Art 18: The burning of oil is under strict control. Newly approved oil-burning units must complete application procedures according to government regulations. Enterprises already approved to burn coal instead of oil must undergo technological transformation within a time limit.

A special oil-burning tax will be levied, according to the tax regulations, on crude oil and fuel oil sold at a fixed price for burning by boilers and industrial kilns.

Art 19: The use of oil by diesel generating sets is under strict control. Oil supplies are not ensured except for those related to production in areas without power resources, consumption in frontier and pastoral areas, and necessary power supplies for hospitals, radios, posts and telecommunications, and scientific research.

Art 20: Petroleum-supplying departments should work together with departments concerned in arranging the construction of filling stations in urban and rural areas in order to minimize losses and waste of gasoline in storage and transport.

Ch V: Supervision of Energy for Industrial Use

Art 21: In building an industrial enterprise, it is necessary to give overall consideration to the state of energy resources and the balance between energy supply and demand in the locality, and make reasonable arrangements for the circulation of energy resources. In areas short of energy resources, construction of energy-inefficient industrial projects is forbidden, except for those that meet the special needs of the state.

Resumption or development of energy-inefficient production using small blast furnaces, converters, electric furnaces, rolling mills, thermal power plants, and small-scale nonferrous smelting and electrolysis is forbidden, except in areas with rich energy resources, a convenient location, and an approval from the provincial, autonomous regional, or municipal people's government, or its commissioned organs.

Art 22: On condition that the needs of society are ensured, it is necessary to readjust the industrial set-ups, structure of enterprises, and product mix in accordance with the principle of rational use of energy resources.

Art 23: To avoid energy losses and waste, enterprises should arrange production in a balanced, steady, centralized, and coordinated manner in accordance with the principle of rational use of energy resources.

Art 24: Enterprises should follow relevant rules in the State Standardization Bureau's "Guide for Evaluating Enterprises' Techniques in the Rational Use of Heat" in operating and managing the heat supplying system and in using waste heat.

Art 25: Expanding boiler capacities without prior approval is forbidden. In adding new boilers to its facilities or expanding boiler capacities in the course of transformation, an enterprise must submit an application to and obtain prior approval from local energy conservation supervisory organs that work together with departments supervising the enterprise and labor and fuel-supplying departments in examining the application.

Art 26: A department in charge of overseeing enterprises of a certain trade should regularly inspect their main kilns and give promotion in grade according to the criteria for evaluating the performance of kilns of the trade.

Art 27: The indigenous method of coking is strictly restricted. Under special conditions, however, an enterprise may continue using this method with approval from local provincial, autonomous regional, or municipal people's government, or its commissioned organ.

Art 28: Power departments should rationally build and transform electric network structures in order to raise power supply capacities and ensure quality supply. They should lower the consumption of water and coal, and conserve fuel through rationally utilizing hydraulic energy, installing highly efficient thermal electric generating sets, and improving the economic management of electric networks.

Enterprises should follow relevant rules in the State Standardization Bureau's "Guide for Evaluating Enterprises' Techniques in the Rational Use of Electricity" in meeting the technical requirements for power supply and consumption.

Art 29: It is necessary to develop production combining heat and electricity. When a heat-consuming enterprise has produced a certain level of steam volume and regular and stable heat load in their production year round, power departments and local authorities should instruct the enterprise to carry out the production combining heat and electricity in accordance with the principle of "using heat to determine electricity."

Enterprises should be encouraged to generate electricity with waste heat and pressure. Power departments should, in compliance with the government policy, assist enterprises selling, through the electric networks, the electricity generated with their self-financed thermal power stations or locally built small thermal power stations.

Art 30: In areas with dense industrial enterprises, local economic management departments should organize in a planned manner such specialized production as heat processing, electrolysis, casting, forging, and oxygen produciton in order to raise the energy utilization rate.

Art 31: Inflammable gas generated by metallurgical, petroleum, chemical, coal, and other industries should be recovered and rasonably utilized by all possible means.

If economically feasible, coal mines and industrial enterprises in their vicinity should make extensive use of gangue. Those areas that are rich in bone coal, low-quality coal, and oil shale should extensively utilize local low-calorific-value fuels according to economic results achievable.

Ch VI: Supervision of Energy for Use in Daily Life in Urban and Rural Areas

Art 32: Coal for use in daily life should be made into practical shapes, and use of honeycomb briquet should be vigorously promoted. We should make positive efforts to develop smokeless combustion technologies of using soft coal, and diversify the sources and increase the variety of coal for civilian use.

Art 33: We should actively develop fuel forests and promote the use of firewood-economical and coal-efficient stoves. Where feasible, we should vigorously exploit and make us of marsh gas, solar energy, wind energy, geothermal heat, and other energy resources.

Art 34: The use of gas in urban areas should be promoted by diversifying gas sources. In cooperation with departments concerned, departments of urban construction and environmental protection should draw up plans to popularize the use of gas in urban areas.

Art 35: While ensuring reasonable indoor living conditions, a building should be properly designed and oriented, and heat-insulation structures should be improved. Energy consumption of illumination and heating should be reduced by using low energy-consumption facilities, by taking full advantage of natural light, and by taking other appropriate measures.

Art 36: We should develop central heating systems. New houses and public buildings to be equipped with heating facilities should be designed to adapt to a central heating system. Active measures should be taken to convert existing individual heating systems into central heating systems, and low-efficiency boilers should be phased out.

Hot water heating systems should be adapted for buildings, or heating facilities of other types should be converted into this system in order to be more efficient economically.

Art 37: The use of electricity, water, and gas by residents in urban and rural areas should be charged according to readings registered by meters. The system of fixed gees and resupply of electricity, water, and has without recompense should be suspended.

Ch VII: The Need To Accelerate Technological Progress

Art 38: Advanced technologies and facilities for the economical use of energy should be employed in building, revamping, and expanding construction projects. The energy consumption of such technologies and facilities should not be higher than established levels in China. All departments concerned must list specific requirements concerning energy conservation in drawing up or revising design criteria, guiding principles, and regulations for their individual industries. Feasibility studies and initial designs of engineering projects must be supported by evidence of the capability of economically utilizing energy. All projects that do not meet the requirements stipulated in design criteria, guiding principles, and regulations should not be approved for construction by units authorized to evaluate and approve these projects.

Art 39: All localities, departments, and enterprises should draw up long- and medium-term plans as well as annual plans for energy conservation projects according to the policies of individual industries on energy conservation technology, and implement them. Major energy-consumption industries should systematically develop a number of technologically-advanced and economically-efficient model energy-conservation projects that can be easily promoted.

Art 40: An enterprise's funds for improving energy-conservation technologies should primarily be drawn from the enterprise's depreciation fund and detained production fund. Key energy-consumption enterprises whose energy consumption of their major products is higher than the average level of the same industry must list energy conservation as a key project of their technological modernization programs, give priority to incorporating this project into their plans, and allocate funds for the implementation of it.

A certain percentage of depreciation funds controlled by local authorities and departments concerned should be taken out annually for energy conservation projects of enterprises. The percentage taken by localities depending on energy from other localities, and key energy-consumption departments must not be less than 20 percent of the depreciation funds under the control of those localities and departments.

Art 41: Energy conservation loans covered in the state credit plan will be extended at preferential interest rates. At the same time, the departments in charge of this matter may help pay the interest according to state regulations, and allow the enterprises that accept loans to pay back the loans with newly increased income before they pay their income taxes.

In dealing with projects in which funds appropriated for the development of capital construction work aimed at energy conservation have been changed to loans--projects with fairly larger social benefit but little benefit to the enterprise itself--the relevant responsible department may exempt the enterprise from paying a part or the entire amount of the principal and interest.

In developing capital construction projects for energy conservation under the state plan, the state will make partial investments, while encouraging various localities, departments and enterprises to raise funds to develop engineering projects for energy conservation.

The method of public bidding should be used in developing energy conservation engineering projects.

Art 42: In developing major energy conservation projects, it is necessary to ask the designing and consulting units approved by the energy conservation administrative organ to provide technical and economic proof or make feasibility studies. Based on the provisions of the contracts, the designing and consulting units must shoulder due legal responsibilities for the technical reliability and economic rationalization of the construction projects.

Art 43: Major energy conservation development projects must be included in the state key scientific research plans. Energy conservation organs in various localities and under various departments should actively organize the study and propagation of applied technology for energy conservation.

Art 44: With the examination and approval of the responsible department under the State Council, preferential prices will be set for high quality, energy-efficient products which are in great demand.

New energy-saving products appraised and approved by the department concerned will be exempt from product and value-added taxes for a given period according to the "Interim Regulations Concerning Some Policies in Promoting Technical Advancement in State-run Enterprises" approved by the State Council and distributed among the State Economic Commission and other departments.

Art 45: In importing technology and equipment from abroad, it is essential to take technical conditions, economic results and energy consumption into consideration in an overall manner. Priority must be given to importing energy-efficient products, while the import of products with higher energy consumption must be restricted.

Art 46: Machinery, equipment, testing meters and instruments imported by various enterprises for carrying out technical transformation in an effort to save energy will enjoy exemptions or reductions of import duties and product taxes (or the value-added taxes) according to state tax laws.

Art 47: Manufacturing enterprises must stop turning out or selling, within a prescribed period, those electric products that the state has already declared to be obsolete.

When enterprises still use those electric products and equipment with excessively high rates of energy consumption--and which the state has already declared to be obsolete--they must stop using these obsolete products and pieces of equipment or renovate them according to the regulations of the responsible department. They are also forbidden to relocate such products and equipment for other uses.

Art 48: The various localities and departments should expand the market for energy conservation technology, and make compensated transfers of technology. Service centers to propagate energy conservation technology, provide enterprises with consultation and information services, test energy resources and carry out other vocational activities may be set up on the basis of needs and conditions.

Ch VIII: Rewards and Penalties

Art 49: The state will periodically carry out activities to choose advanced energy-saving units and commend those units that have scored remarkable achievements in saving energy.

Art 50: The state encourages the masses of people to participate in various energy conservation activities. Those who put forward rational proposals for energy conservation should be given rewards by the beneficiary units on the basis of the economic benefits reaped from these proposals and according to state regulations. The state protects the legitimate rights of those who criticize energy-wasting phenomena and bans anyone from taking countermeasures against them.

Art 51: With the approval of energy conservation administrative organs and other relevant departments, state-run industries and enterprises in the field of transportation may draw energy-saving rewards according to the relevant regulations of the state on rewarding those who save special fuel and raw and other materials, if such industries and enterprises meet the requirements specified in the provisions of Arts 9, 10, 11 and 12 of these regulations.

Art 52: Measures to give awards to those who conserve water in cities and in hydraulic power generation will be formulated separately by the Ministry of Urban and Rural Construction and Environmental Protection and the Ministry of Water Resources and Electric Power. They will be promulgated and go into effect after being examined and approved.

Art 53: A unit or individual that violates these regulations shall be subjected to criticism and education by an energy conservation supervisory organ if the case is not relatively serious. If the case is fairly serious, it should be handled in accordance with the following provisions, depending on the nature of the case:

A. Oil supplies will be discontinued to an enterprise that fails to abide by the provision explained in the first paragraph of Art 18 by continuing to burn oil beyond a time limit. The decision to discontinue oil supplies should be made by an organ in charge of reducing the use of oil and the fuel supply department will be notified for implementation.

B. In the case of an enterprise that goes against the provisions contained in the second paragraph of Art 21 and the provisions under Art 27 by resuming or developing energy-inefficient production using small blast furnaces, converters, electric furnaces, rolling mills, thermal power stations and small nonferrous smelting and electrolysis or by continuing to preserve the indigenous method of coking, the local energy conservation supervisory organ may decide to discontinue its energy supplies and the department of administration for industry and commerce may suspend its business license.

C. With regard to an enterprise that violates the provisions under Art 25 by expanding boiler capacities without prior approval, a fine may be imposed by the local energy conservation supervisory organ. The fuel supply department should withhold the energy supply needed for the unauthorized expanded portion of the boilers.

D. With regard to an enterprise that violates the provisions under Art 47 by continuing, after the prescribed time limit, to produce, market, use or make other use of the mechanical or electrical products and equipment referred to under this article, the banks may stop its loan payments and the local energy conservation supervisory organ may decide to suspend its energy supplies or impose a fine.

E. In the case of an enterprise that violates the relevant articles and provisions listed in above and causes a serious waste of energy as a consequence, in addition to the aforementioned measures, the energy conservation supervisory organ should assist the concerned departments in investigating the enterprise's responsible persons and other persons directly responsible for the waste to affix administrative responsibility.

A unit or individual punished by the aforementioned measures is not exempted from continued fulfillment of the relevant obligations set forth under these regulations.

Art 54: "The fees charged for the portion of energy in excess of the fixed quota should be collected at an increased price. The payment incurred through the increased price must not be included as part of the cost or nonoperational expenses. The income realized by the localities from the increased price should be controlled and arranged by the local energy conservation supervisory organs for use in enforcing energy conservation measures.

An enterprise that has made payments at the increased price is not exempted from undertaking the responsibility of paying the fine imposed for its violation of the provisions of these regulations.

Ch IX: Propagation and Education

Art 55: The propaganda departments should actively propagate the principles and policies of and scientific and technical knowledge in energy conservation. They should make full use of the radio, television, newspapers, periodicals, seminars and other means to raise the understanding of the people of the whole country in energy conservation work and improve their scientific and technical knowledge.

Art 56: The education departments should actively carry out the training of qualified energy conservation personnel at different levels. Universities and technical secondary schools should act in a planned way to train senior and middle-ranking energy conservation supervisory personnel.

Primary and secondary schools should pay attention to imbuing young people with knowledge in energy matters and developing their consciousness of energy conservation.

Art 57: Plant directors of the enterprises in charge of energy conservation work, administrative personnel of the energy conservation organs and the operation workers concerned should all undergo energy conservation training in a planned manner. The tested results achieved in such training should be considered as part of the overall assessment of the workers and staff members.

Ch X: Appendices

Art 58: The provincial, autonomous regional and municipal people's governments, concerned departments of the State Council and the PLA units may formulate detailed enforcement rules and regulations in accordance with these regulations and in combination with the specific situations.

Art 59: The State Economic Commission will be responsible for the interpretation of these regulations.

Art 60: These regulations will come into force on 1 April 1986.

Beginning from the date these regulations become effective, the "State Council Directive on Reducing the Burning of Oil by Various Kinds of Boilers and Industrial Kilns and Furnaces," the "State Council Directive on Conserving Electricity," the "State Council Directive on Conserving Oil as a Finished Product," the "State Council Directove on Conserving Coal for Industrial Boilers and Furnaces" and the "State Council Directive on Developing Coal Washing, Dressing and Processing and Reasonable Use of Energy" will be abolished.

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CSO: 4013/62

PROVINCIAL AFFAIRS

GUANGDONG FIGURES SHOW STEADY GROWTH IN 1985

HK230801 Beijing ZHONGGUO XINWEN SHE in Chinese 1505 GMT 20 Jan 86

[Text] Guangzhou, 20 Jan (ZHONGGUO XINWEN SHE)--Data released by the ongoing Fourth Enlarged Plenary Meeting of the Fifth Guangdong Provincial CPC Committee shows that in spite of the numerous difficulties in 1985, Guangdong Province still registered a steady, balanced, and stable growth in its national economy.

Although hit by serious natural disasters, including typhoons and floods, and rocked by the "Hainan car incident" last year, Guangdong's economic construction still developed healthily and steadily. According to statistics, the gross value of Guangdong's industrial and agricultural production last year could reach 63.4 billion yuan, an increase of 18.4 percent over the previous year. In industrial production, the ratio between light and heavy industries was relatively coordinated and their economic results improved. The gross value of industrial production could reach 47 billion yuan, an increase of 28.1 percent over the previous year. Although readjustment of crop distribution and serious natural disasters reduced grain output by 4.7 billion jin, industrial crops and diversified undertakings developed considerably. The gross value of agricultural production still reached 18 billion yuan, an increase of 6.8 percent over the previous year.

Revenues also improved to an extent not seen for many years. The annual revenues were expected to reach 6.88 billion yuan. In foreign trade, exports increased by 15.7 percent over the year before last, reaching 2,898 million. Moreover, because capital construction projects were reduced and the currency put into circulation was brought under effective control, the net amount of currency put into circulation was 2.35 billion yuan, a drop of 40.5 percent from that in 1984. The Guangdong provincial authorities hold that this represents a great achievement.

In the course of constantly summing up and accumulating experience, the construction of Guangdong's special economic zones rapidly developed last year and satisfactory results were attained. New progress was also made in various fields of endeavor, such as foreign economic relations and trade, commercial circulation, transport and communications, and capital construction.

The meeting also pointed out that Guangdong's main problems last year were: In economic construction, an excessively high rate of construction and the failure of energy, transport, and various other conditions to keep pace with the development resulted in excessive strains in various fields. This also caused price hikes, particularly in the first 10 months of last year. The price hikes reached 13 percent, the highest since 1980. Moreover, there was a considerable drop in grain output.

In fixing economic growth rate for this year and planning various construction projects, Guangdong Province will aim at facilitating the progress of reform and stress quality, results, and the harmony of major economic relations and will not one-sidedly seek the growth rate of output value.

/8918
CSO: 4006/651

RURAL INDUSTRY FLOURISHES IN FUJIAN PROVINCE

OW220920 Beijing XINHUA in English 0904 GMT 22 Jan 86

[Text] Fuzhou, 22 January (XINHUA)--Coastal Fujian Province in South China, ancestral home of many overseas Chinese, achieved an income of 7 billion yuan from its rural industry last year, a 42.8 percent increase over 1984.

The output value of rural industry accounted for two-thrids of the province's total agricultural output value in 1985, according to a provincial conference on rural industry now in session here.

The development speed of the province's rural industry ranks third in the country, the conference was told.

Township enterprises have mushroomed in the province over the past few years with construction funds pooled by returned overseas Chinese and relatives of overseas Chinese, as well as provided by the government.

In the past 5 years, the government has provided some 47 million yuan to help develop these enterprises, while money raised from individuals reached 720 million yuan.

In Quanzhou City alone, some 150 million yuan was collected from individuals last year, about 35 percent of the province's total in the same year.

Centered on manufacturing and mining, the township enterprises in Fujian also cover trades like transport, commercial stores and building, as well as service trades.

To boost rural industry, these township enterprises also imported technology from abroad and absorbed funds and technical personnel from other parts of the country.

Many of their products have been sold abroad with the annual export volume of the province exceeding 100 million U.S. dollars for several years running.

Per capita income of the 1,970,000 people employed in township enterprises reached 1,015 yuan last year, a 150 percent increase over 1980.

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CSO: 4020/188

JIANGSU CONGRESS STANDING COMMITTEE MEETING ENDS

OW260409 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 23 Jan 86

[Excerpts] The 17th session of the 6th Jiangsu Provincial People's Congress Standing Committee that closed on the mroning of 22 January decided to hold the 4th meeting of the 6th Jiangsu Provincial People's Congress on 22 April in Nanjing, and proposed the following agenda:

To hear and examine the Jiangsu Provincial Government's work report;

To examine and approve the 7th Jiangsu Provincial Economic and Social Development Plan;

To examine and approve the province's 1986 economic and social development plan;

To examine and approve the province's 1985 financial account and 1986 financial budget; and

To hear and examine the reports by the Jiangsu Provincial People's Congress Standing Committee, the Jiangsu Provincial Higher People's Court, and the Jiangsu Provincial People's Procuratorate.

At yesterday's plenary session, Li Zhizhong, vice chairman of the Jiangsu Provincial People's Congress Standing Committee, conveyed the spirit of the 14th meeting of the 6th NPC Standing Committee that just ended in Beijing. The session also approved a report on the examination of a proposal for drawing up pre-school education regulations and another proposal put forward by deputies to the session.

Chu Jiang, chairman of the Jiangsu Provincial People's Congress Standing Committee, presided over the plenary session and spoke on the session's examination of the Jiangsu Provincial Government's reports on controlling the investment in capital construction and on the implementation of the tax law. Also attending the session were Chen Dexian, He Binghao, Li Qingkui, Wang Bingshi, and Hong Peilin, all vice chairmen of the Jiangsu Provincial People's Congress Standing Committee.

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CSO: 4006/633

PROVINCIAL AFFAIRS

NEI MONGGOL CHAIRMAN ON 40TH FOUNDING ANNIVERSARY CELEBRATIONS

SK270520 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 25 Jan 86

[Text] Comrade Bu He said in his report [To the regional meeting of banner and county CPC Committee secretaries] that we should work out an overall plan immediately and make early preparations for ushering in the 40th founding anniversary of the region successfully. He said: The general demand is that through the efforts of this and next year, production should continue to develop stably, the people's living standards should show further improvement and, in particular, the production and living standards of the masses of poverty-stricken areas should show a notable change, and the celebration activities should be carried out in a solemn and vigorous instead of a superficial and extravagant manner. All localities and departments should earnestly review and sum up both positive and negative experiences gained since the founding of the region and, on this basis, conduct extensive and thorough reeducation on Marxist nationalities theory and the party's policy on nationalities to raise their awareness in implementing the party's policy on nationalities, foster the idea that all our nationalities are indispensable to each other, and arouse their enthusiasm to work together for consolidating and developing the relations of unity and equality among various nationalities, and for building a civilized, affluent, and prosperous Nei Monggol.

In order to usher in the 40th founding anniversary of the region, the regional CPC Committee has decided that a few tasks should be fulfilled conscientiously in this and next year with the purpose of achieving a 100-percent increase in the economy. First, in the pastoral areas we should solve the problems in power supply to banners, the installation of telephone lines to Sumu, and the installation of cultural, educational, broadcast and television, and health facilities. Second, we should bring about a great change in the production and living standards of the people in the old revolutionary base areas. Third, we should pay attention to the construction of the projects for the celebrations of the 40th founding anniversary of the region. Fourth, before the end of June this year, we should complete drafting the Nei Monggol Autonomous Regional Regulations for Autonomy.

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CSO: 4006/651

PROVINCIAL AFFAIRS

SHAANXI LEADER SPEAKS ON ECONOMIC SITUATION, TASKS

HK200351 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 19 Jan 86

["Summary" of Speech Made by Li Qingwei, deputy secretary of Shaanxi Provincial CPC committee and governor, at opening ceremony of provincial conference of party delegates on 17 January]

[Excerpts] In accordance with the spirit of the CPC Central Committee proposal on drawing up the Seventh 5-Year Plan for national economic and social development, and in connection with Shaanxi realities, the provincial CPC committee has adopted the method of integrating upper and lower levels and, after repeated discussions, now proposes to this conference the draft outline for the province's Seventh 5-Year Plan of national economic and social development. The delegates should discuss and amend the outline. It will then be submitted to the fourth session of the sixth provincial people's congress for examination and approval.

Comrade Li Qingwei spoke on two questions:

I. The state of execution of the Sixth 5-Year Plan and the current economic situation.

He said: The province did very well in executing the Sixth 5-Year Plan. A number of major economic indices were fulfilled 1 or 2 years ahead of schedule. The plan had been completely overfulfilled by the end of 1985. Total social output value of the province in 1985 is estimated to have risen by 62.4 percent over 1980, having risen at an annual average of 10.2 percent during the 5 years. Total industrial and agricultural output value in 1985 rose by 59.8 percent over 1980, having risen at an annual average of 9.8 percent, exceeding the 5.5 percent called for in the plan. National income in 1985 rose by 51.3 percent over 1980, having risen at an annual average of 8.6 percent, exceeding the 518 percent called for in the plan.

The Sixth 5-Year Plan called for grain output of 18.5 billion jin in 1985. This goal was already attained in 1982. From 1983 to 1985, the province achieved balanced grain purchase and sales for 3 successive years.

Income of the province's township enterprises in 1983 was double that of 1978, and doubled again in 1984.

He said: In the wake of economic development, financial revenue has also shown big increases year after year. Estimated revenue for 1985 is 2 billion yuan, a record. The province achieved a balanced budget during the year.

Li Qingwei analyzed the following reasons for the excellent economic situation:

1. As a result of bringing order out of chaos and implementing the policies, we have consolidated and developed the political situation of stability and unity. There has been a turn for the better in party style and social mood as a result of party rectification and strengthening the building of spiritual civilization. This has created a good social environment for economic construction.

2. We have resolutely implemented the principle of reform, opening up, and invigoration.

3. We have basically harmonized economic relationships as the result of several years of readjustment.

4. The capital construction and technological transformation carried out in recent years have started to produce results by increasing production capacity and improving the material basis and technical conditions for economic development.

5. The pioneering reforms in agriculture have promoted the development of the entire economy.

6. We have scored marked results in implementing the principle of opening up to the world.

7. Through summing up experiences and negating in continual practice, leaders at all levels have found a way to develop Shaanxi's economy.

Li Qingwei pointed out that we must keep cool heads amid the excellent situation and perceive our shortcomings, difficulties, and weak links.

II. On the guiding idea for the Seventh 5-Year Plan.

He said: The strategic goal of economic development in the Seventh 5-Year Plan is: Total industrial and agricultural output value should double by 1990 compared with 1980, and we should strive to reach this goal 2 years ahead of time. All areas and fronts should work hard to accomplish this great goal.

Li Qingwei spoke on the guiding ideas for attaining the Seventh 5-Year Plan's strategic goals:

1. Persistently put reform in first place. In accordance with the central demands, we must firmly and steadily carry out reform of the economic structure

and ensure that reform and production and construction match and stimulate each other. In order to ensure the smooth progress of reforms, we must unify our thinking and steps, and resolutely oppose the practice of everybody going his own way. While invigorating the microeconomy, we must strengthen macroeconomic control and management. We must work really hard at reform and achieve practical results in improving management and economic results. We must not engage in malpractices and make ill-gotten gains under the pretext of reform or by taking advantage of loopholes in reform. We must take into account the interests of the state, the collective, and the individual.

2. On the basis of working hard to improve economic results, we must strive for a still better growth rate. During the Seventh 5-Year Plan, the province's natural population growth rate must be controlled at the level of about 11 per 1,000.

3. The regional economic strategic guideline in Shaanxi is to improve the Guanzhong area while supporting the development of southern and northern Shaanxi, including the plain north of the Wei.

4. On the basis of continuing to increase grain production, we must further readjust the rural production structure. We must certainly not take the grain question lightly. In the future we must work hard to stabilize the sown area and improve the yield.

5. Uphold the principle of integrating of improving existing enterprises with developing new projects. During the Seventh 5-Year Plan, we must focus on the technological transformation of the existing enterprises and on theri modification and expansion. We should resolutely follow the path of expanding reproductive capacity by tapping internal potentials. We should also develop some new projects mainly aimed at exploiting the province's resources.

6. Township enterprises must stick to the principle of active development. These enterprises must strengthen management. The provincial department, large and medium factories, mines, and other enterprises, institutes of higher education, and scientific research units should continue to provide support for these enterprises and help them with talent, technology, information , and planning. Large urban enterprises should diffuse production of some parts and products among the township enterprises, and establish satellite towns.

7. We must continue to uphold the principle of opening up to the world. We must further emancipate our minds, eliminate conservatism and the closed-door mentality, and ensure still greater strides in opening up to the world. However, we must strengthen concentrated and unified leadership and management, to avoid duplicate and blind imports.

8. We must vigorously develop tourism and gradually turn it into a major prop of the province's economy.

9. We must attach importance to exploiting brain-power. Party committees and government at all levels must attach great importance to education work and strengthen leadership over it.

10. We should raise construction capital through various ways.

Li Qingwei said: The tasks of the province's Seventh 5-Year Plan are glorious and arduous. To victoriusly accomplish all the goals, we must strengthen leadership over economic work, strengthen grassroots organizational building, persistently build the two civilizations together, and tangibly improve work style.

We must resolutely implement the spirit of Comrade Hu Yaobang's speech at the central organ cadre gathering, and resolutely correct various new unhealthy trends. In doing so, we must start with the leadership organs and cadres. The provincial organs should set an example for the whole province and strive to bring about a fundamental turn for the better in party style and social mood.

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CSO: 4006/633

PROVINCIAL AFFAIRS

BRIEFS

SURVEY 1984 GROSS NATIONAL PRODUCT--The result of the first general survey of the Tianjin's gross national product has been published. The result of the general survey shows that the 1984 gross national product of the municipality was 14.747 billion yuan. Calculated in terms of permanent population, the 1984 average gross national product per capita was 1,868 yuan, higher than the average national level, lower than the levels of Shanghai and Beijing, and ranking third in the country. This general survey also initially clarifies the number of enterprises exercising independent accounting, the current situation on the total volume of assets, and the distribution of industries and employees. The results show: In 1984 the total number of units exercising independent accounting was 30,292; and the total volume of assets was 47 billion yuan, of which, 20.1 billion yuan was fixed assets. By the end of 1984, the total number of employed laborers throughout the municipality was 4.774 million. Viewing the distribution of industries engaged by employed laborers, 1.258 million people engaged in the primary industry, accounting for 26.4 percent of the total; 2.316 million people engaged in the secondary industry, accounting for 48 percent; and 1.2 million people engaged in the teritary industry, accounting for 25 percent. [Text] [Tianjin City Service in Mandarin 0030 GMT 22 Jan 86 SK] /8918

CSO: 4006/651

ECONOMIC DEVELOPMENT ZONES

BRIEFS

CONSTRUCTION STEPPED UP--Fuzhou, 24 January (ZHONGGUO XINWEN SHE)--The construction of 10 infrastructural facilities in Fuzhou city's Mawei Economic and Technological Zone is being stepped up. Most projects are expected to be completed in the first half of this year. The Mawei Qingzhou sand-blowing project was completed recently. The amount of sand blown has totaled 8.87 million cubic meters and that of land reclaimed reached two square kilometers. This is the biggest project of reclaiming land using the sand-blowing method ever carried out in the country. Five roads in the Mawei Economic and Technological Development Zone with a combined length of 3,600 meters have also been completed and opened to traffic. The construction of the main structures of the 12-story Fuzhou International Hotel has been completed and the hotel is expected to open for business in summer this year. The installation of three generating units of the Hongshan gas turbine power station was also finished a few days ago and they will soon begin generating electricity for practical use. It has been understood that by the end of this year, a relatively sound investment environment will have been created in the Qingzhou and Luoxing districts of the Mawei Economic and Technological Development Zone. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0247 GMT 24 Jan 86 HK] /12913

CSO: 4006/654

ECONOMIC PLANNING

PRIVATE SECTOR TO CONTINUE TO GROW IN NEXT PLAN

OW230920 Beijing XINHUA in English 0857 GMT 23 Jan 86

[Text] Beijing, 23 January (XINHUA)--China will continue to encourage its private sector during the Seventh 5-Year Plan (1986-1990), according to officials of the State Administration for Industry and Commerce.

They estimated today that 50 million of China's 1 billion people would work in privately-owned enterprises--ranging from individual fruit carts to small laundries--over the next 5 years.

At present, they said, more than 17 million people--120 times more than in 1978--are involved in the nation's private economy, most of them educated young people waiting for jobs in cities and towns or surplus labor in the countryside.

According to government figures, the 17 million work in more than 5.8 million enterprises--the vast majority in retailing or services--and 1.4 million individually- or family-owned restaurants. All are licensed by the government.

Private output value totaled 24.5 billion yuan (7.7 billion U.S. dollars) in 1984, the last year for which figures are available, the officials said.

Far from opposing these individual entrepreneurial efforts, officials said, the government welcomes them because they provide services--offering tailoring and places to eat, for example--otherwise in short supply.

From 1981 to 1984, private enterprises had a total capital of 15 billion yuan (4.7 billion dollars) and paid 4.2 billion yuan (1.3 billion dollars) in taxes.

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CSO: 4020/188

ECONOMIC PLANNING

LIAONING GOVERNOR DISCUSSES ECONOMIC PROJECTS FOR 1986

SK250510 Shenyang LIAONING RIBAO in Chinese 4 Jan 86 p 1

[Report on an interview with Quan Shuren, governor of Liaoning Province, by reporter Yang Yingqiu at an office room of the provincial People's Government--date not given]

[Excerpts] In the interview, Governor Quan Shuren said: "In 1986, the first year covered by the Seventh 5-Year Plan, our province will continue to maintain a steady increase rate, and will do much more than it did this year." He told the reporter, with full confidence, that the province planned to develop the following several projects in 1986:

1. The 120 key enterprise renovation projects will be carried out comprehensively. Completion of these projects will enhance the reserve strength of our enterprises, will make the production capacity of these enterprises reach advanced world standards, and will make the old industrial bases full of vitality.

2. Some 987 million yuan will be invested in building the Guanyinge Reservoir in Benxi, which will be larger than the Dahuofang Reservoir. Upon completion, this reservoir will become the largest one in our province; will relieve the strain on water supply to the dwellers and industrial enterprises in Beixi, Liaoyang, Anshan, and Yingkou; and will greatly strengthen the flood-resisting capacity of Benxi and Liaoyang.

3. "Failing to bring the Liao He under control, Liaoning will not be tranquil." The diversion of the Liao He will be conducted comprehensively. With a total length of more than 500 km in our province, the Liao He has flooded approximately once every 10 years during the past 800 years, thus bringing great suffering to the people. In 1986 the state and the provincial authorities are determined to invest 320 million yuan in repairing dams and removing obstacles in order to basically eliminate the floods.

4. We will build two ports, each with a 5,000-ton-class berth and an annual handling capacity of 1.5 million tons. One will be located at a place west of the Bijiashan Mountain in Jinzhou, and the other at the Dandong Harbor in Dandong. Completion of these two ports will greatly improve the traffic and transport services of Jinzhou and Dandong.

5. We will build the Shenyang Taoxian Airport, an international airport able to accommodate large airliners, and will open an international air route in order to link our province with various other places in the world.

6. Construction of a communications hub, the new north railway station of Shenyang, will begin. Upon completion, it will be one of the few first-class railway stations. Construction of the Haicheng-Xiuyan Railway, with a total length of 91.6 km, will also begin. Completion of this railway will make it possible to exploit and utilize the more than 30 kinds of plentiful mineral deposits along this railway.

7. In 1986 we will begin to build or make preparations for the construction of four large power plants. The Gaoling Thermal Power Plant in Suizhong, with an installed capacity of 2.4 million kw, will become the largest thermal power plant of our country.

8. Some 1.4 billion yuan will be invested in building two sets of large-scale ethylene projects in Panjin and Fushun. With these two projects, we will conduct intensive processing and comprehensive utilization of our petroleum and natural gas products in order to rapidly develop the province's petrochemical industry.

9. Some 190 million yuan will be invested in renovating the Lingyuang Iron and Steel Plant, which will change the present plant to three subplants. At the same time, some 88 million yuan will be invested in renovating the Xinfu Iron and Steel Plant. After the renovation of these two plants, the shortage of rolled steel will be relieved somewhat.

10. The "Liaobei Granary" will build a large-scale integrated plant for intensive processing of corn. This plant will be provided with advanced world equipment. This plant will transform corn to starch, and will produce gourmet powder, glucose, and various kinds of foodstuffs for the people.

11. The focus of investment will be placed on the construction of the urban infrastructure and residential quarters. The investment in infrastructure will be 30 million yuan more than the figure for the previous year. More investments will be made in building residences, roads, water sources, power supply projects, and communications facilities. Anshan, Dandong, Benxi, Chaoyang, Tieling, Fuxin, Liaoyang, Jinzhou, and Yingkou cities will all begin to build coal gas projects in order to continually increase the number of households using gas.

12. Efforts will be made to vigorously develop cultural and educational undertakings, and the investment in the educational undertakings will also increase over the previous year. In 1986 the province will begin to take over land and make preparations for construction of the provincial library complex, which will house 240,000 volumes. Construction of the television relay tower will be accelerated. Upon completion of this tower, the present two television frequency channels in the province will increase to five or six channels. The provincial people's hospital, a relatively large medical

and sanitary installation, will be totally made available to users, which will relieve the people's difficulty in obtaining medical care and treatment.

13. We will begin to draw foreign capital to build plants in the Dalian Economic Development Zone. Our province will also open up more international markets, and build economic windows in more than 20 countries and regions in Asia, Africa, Europe, and Latin America in order to break through Asia and advance toward the world.

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CSO: 4006/633

ECONOMIC PLANNING

LIAOWANG ON WORK PLANS OF MINISTRIES, DEPARTMENTS

OW210900 Beijing XINHUA in English 0832 GMT 21 Jan 86

[Text] Beijing, 21 January (XINHUA)--China will "consolidate, digest and supplement" the achievements of the economic reform, solve outstanding questions and prepare for further reform, according to the latest issue of the magazine, OUTLOOK WEEKLY.

The magazine reported on the work programs of 10 ministries and departments of the State Council.

He Chunlin, director of the State Council's Special Economic Zone (SEZ) Office, said that China's SEZ's will strive to expand external economic exchanges, and serve as "windows of technology, management, knowledge and the open policy" for the rest of China.

Coastal cities will continue to import advanced technology, speed up the modernization of existing enterprises and improve the management of the Sino-foreign joint ventures and cooperative projects.

The State Economic Commission will stress the following guidelines during the 1986-1990 period: nationwide practise of management responsibility; improving quality and cutting material consumption; creating a buyer's market; and spreading modern management and technology among industrial enterprises.

Financial work will concentrate on balancing revenues and expenditures, promotion of reform and improvement of economic returns in 1986, according to Wang Bingqian, minister of finance.

He said that the budget will guarantee construction of key projects, and the financial needs of cultural and educational investment, and agriculture.

The Ministry of Foreign Economic Relations and Trade plans to build export goods centers for production of better quality, lower cost and marketable goods, and for timely delivery. It will also make greater efforts to fight smuggling and improve control of foreign exchange.

China plans to add 5 million kw of power-generating capacity this year, the 1st year of its Seventh 5-Year Plan, said Qian Zhengying, minister of water resources and electric power.

She announced this year's 10 major tasks, including construction of giant hydroelectric power projects on the Yangtze and Yello Rivers, building a reservoir in the Tibet Autonomous Region and pooling funds from enterprises, collectives and individuals for the development of thw power industry.

The Coal Industry Ministry expects to increase output by 40 million tons each year in this 5-year plan period, while coal mines will get better equipment, and expand exports of coal.

The Ministry of Railways will intensify the technological transformation of existing lines while building new lines. By 1990, China's railways will cover 58,000 km, accommodating 1.6 billion passengers and 1.7 billion tons of cargo.

China will further readjust the rural economic structure this year, ensuring steady growth of grain output, developing economic crops in a planned way, paying attention to animal husbandry and fisheries and upgrading rural enterprises, according to the Ministry of Agriculture, Animal Husbandry and Fisheries.

Education departments will implement the decision made last year on restructuring the educational system made by the Central Committee of the Chinese Communist Party, and the 9-year compulsory education program.

Finally, the magazine reported, tourism departments will improve facilities in the existing tourist resorts, open up more places of tourism interest, train personnel and improve services.

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CSO: 4020/188

FIVE CITIES ADDED TO TOP PRC INDUSTRIAL CITIES LIST

HK200818 Beijing CHINA DAILY in English 20 Jan 86 p 1

[By staff reporter Zhu Ling]

[Text] Of the country's 15 top industrial cities last year, 5 were newcomers to the "star" ranks, CHINA DAILY learned yesterday.

They were Nanjing, Dalian, Qingdao, Chengdu and Changzhou. The five joined Shanghai, Beijing, Tianjin, Shenyang, Wuhan, Guangzhou, Chongqing, Hangzhou, Wuxi and Suzhou in the "first division" of industrial output.

The industrial output value of these 15 cities topped 10 billion yuan last year. Their total industrial output value accounted for about 35 percent of the country's total.

Nanjing, capital city of Jiangsu Province, took its industrial output value to 12.4 billion yuan last year. Dalian, a port in Liaoning Province, hit 11.4 billion yuan; Qingdao, a port in Shandong Province, registered 11 billion yuan; Chengdu, capital of Sichuan Province, 10.6 billion yuan; and Changzhou, Jiangsu Province, 10.3 billion yuan.

The five achieved growth rate increases of more than 15 percent over 1984.

China's total industrial output value last year was 823.8 billion yuan (about $247.1 billion), an increase of 17.7 percent from 1984. Light industrial output value increased by 18.6 percent while the heavy industry value rose by 16.8 percent.

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CSO: 4020/188

LI PENG ADDRESSES NATIONAL METALLURGY CONFERENCE

OW221721 Beijing XINHUA in English 1627 GMT 22 Jan 86

[Text] Beijing, 22 January (XINHUA)--China's Vice-Premier Li Peng today said that the metallurgical industry should undergo a great development in quantity, quality and variety through technological transformation and innovation, and by expanding existing enterprises.

Speaking at an ongoing national conference on metallurgical work, Li Peng pointed out that more updated technology should be adopted to incerase output and reduce energy consumption. This is the way to fully tap the potential of existing enterprises at a comparatively low cost, he said.

He said that in the past 5 years China's steel output jumped by 10 million tons, or 26 percent, while the standard coal consumption only rose by 6.5 percent. Steel output amounted to 46.7 million tons last year.

However, Li Peng said, steel output still falls far short of the needs of national economic development.

To improve this situation Li Peng called for a practical plan to achieve this year's target of 50 million tons of steel, which means a 3.3 million-ton increase over last year, he said.

Turning to iron ore production, Li Peng said that state-owned ore mines were the main resource bases of the iron and steel industry, and policies will be formulated to mobilize mine workers and staff members to turn out more ore products.

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CSO: 4020/188

PRC OFFICIAL ON PERSONNEL CHANGES IN 'BACKBONE' ENTERPRISES

HK170741 Beijing CHINA DAILY in English 17 Jan 86 p 1

[By staff reporter Zhu Ling]

[Text] Major personnel shake-ups in China's "backbone" industrial enterprises since 1982 have replaced 90 percent of the leaders with younger, better-educated and more competent managers, it was announced yesterday.

Management structure in these concerns--3,000 enterprises which produce 45 percent of the nation's industrial output value--will be reshaped to enhance efficiency, said Wei Jianxing, head of the Department of Organization under the party Central Committee.

He told the National Conference on Economic Work in Beijing that the age of the managers at these enterprises now average 46.6 years, and 89 percent of them have had college education.

The age for party secretaries, he said, average 45.5, and 81 percent of them have received college education. The leading bodies of those enterprises average 6.3 people, a one-third cut from before the shake-ups. The upper age limit for appointment to manager is now 55.

The changes, he said, came in two massive personnel reshuffles directed by the government since 1982.

A recent survey revealed that most of these backbone industrial enterprises had undergone many changes, characterized by enthusiasm to implement the economic reforms; concentration on technical improvement and scientific methods of administration; good team work and hard work.

Wei said that a small number of the new leaders had turned out to be unworthy of their new posts and some had been found abusing their power for personal gain.

Wei outlined four "musts" the new leaders should bear in mind:

The new managers must concientiously study the basic theories of Marxism and Leninsim. They should learn to use the fundamental tenets of Marxism-Leninism to solve problems under a new situation.

They must serve the people whole-heartedly, being the first to bear hardships and the last to enjoy comforts.

They must stick to democracy under centralized guidance and work in an efficient and down-to-earth manner.

Important issues must be handled by drawing on collective wisdom. Wei said, however, managers should have full control of day-to-day matters.

"It is not right to say that the manager-responsibility-system is only the directors' say on all administrative matters," he said.

Wei Jianxing stressed that the new-replacing-the-old system must be established to keep the leadership vigorous and lively.

Wei also announced at the meeting that all backbone industrial enterprises must equip themselves with "Three Chiefs" to work under the manager as soon as possible.

This is another important move after the personnel shake-ups to further improve the structure of leading bodies for more professional management.

"The three chiefs, with the authority of deputy managers of the enterprise, include the senior engineer, finance director and chief accountant," he said.

Sources explained that the senior engineer advises the manager on steps to achieve technical progress in the enterprise; the finance directors helps with raising economic efficiency and management; and the chief accountant helps with observing financial discipline and developing sources of revenue.

/12232
CSO: 4020/188

NEI MONGGOL CHAIRMAN REVIEWS 1986 WORK, ACHIEVEMENTS

SK270400 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 24 Jan 86

[Text] While reviewing and summing up the work done last year in his report at the regional meeting of secretaries of the banner and county CPC Committees, Comrade Bu He pointed out: In 1985, our region fulfilled the requirements for winning the first battle in the urban reform. Specific indicators were as follows:

First, we firmly attended to tapping the potentials and carrying our technological innovations and transformation among the enterprises, and concentrated our efforts on strengthening management and promoting technological progress. During the past year or so, most enterprises have established and perfected various types of management systems by turning their attention to internal affairs, and increased their economic results by upgrading the quality of products and reducing the consumption of energy resources and raw materials, production costs, and losses and wastes.

Second, we adhered to the principle of giving different instructions according to different conditions. We attached importance to the reform and development of small cities and towns on the basis of carrying out the urban reform in an overall manner. The regional CPC Committee first carried out the reform and development on a pilot basis among such small cities and towns as (Qixiaying) and (Nongshengzhuang), and timely summed up and propagated their experiences.

Third, we carried out the reform of the price and wage systems prudently. In carrying out the reform in this regard, we focused on balancing the relations between prices and wages respectively in light of the policies of linking relaxed control with readjustment, bringing the relaxation under control, making thorough investigations, carefully carrying out the pilot work, and gradually propagating the work. Firmly in line with the principle of striving to ensure a gradual improvements, instead of lowering, of the actual living standards of the majority of staff members and workers, we paid attention to timely solving the workers' ideological and practical problems. During the past year or so, in accordance with the plans of the central authorities and the region's actual conditions, we have, on the one hand, relaxed the control over the prices of the principal raw materials for industrial production and the people's daily necessities, including grain, edible oil, vegetables, meat, and fine hair and pelts, and, on the other hand, we have supplemented the measures with necessary special intervention in prices and administration. Simultaneously, we have paid attention to bringing into play the positive role of the state-owned commercial enterprises in readjusting markets and stabilizing the prices of goods. While conscientiously attending to readjusting the wages of primary and middle school teachers and administrative establishments, we paid special attention to strengthening the leadership over the wage reform of the enterprises.

Fourth, we accelerated the pace of opening to the outside world, importing foreign capital, and bringing in knowledge and talented persons from abroad. During the past year or so, the region has signed contracts on over 870 items of economic and technological cooperation and items involving bringing in capital and technology. Of this, the region has imported more then 300 million yuan of capital and sued foreign exchange amounting to $39.61 million to import advanced technology and equipment. Faster progress has been made in external trade, particularly frontier trade. The total volume of imports and exports reached more than 42 million francs, an increase of 160 percent over 1984.

Fifth, we strengthened the work in the educational and scientific and technological fields. In accordance with the guidelines of the decisions of the central authorities on the reform of the educational and scientific and technological systems, and in line with the region's actual conditions, we tried ways to carry out the reform in these fields. In light of the spirit of uttering less idle talk but doing more solid work, we made more investments in educational and scientific and technological development, and adopted specific measures for implementing the policy toward intellectuals, strengthening the ideological and political work, respecting teachers, and paying attention to the educational work.

/8918
CSO: 4006/651

TIANJIN: ARTICLE ON DEALING BLOWS TO ECONOMIC CRIMES

SK230037 Tianjin TIANJIN RIBAO in Chinese 24 Dec 85 p 1

[Commentator's article: "Deal Blows to Economic Crimes Continually and Penetratingly"]

[Text] The municipal Intermediate People's Court has brought five serious economic criminals to open trial. This open trial is of great significance because it has dampened the arrogance of serious economic criminals, once again manifested the strong power of the people's democratic dictatorship, frightened criminals, and enhanced the morale of the masses.

Among those economic criminals who have indulged in embezzlement, stealing, robbery, accepting of bribes, fraud, speculation, and profiteering, some are law-breakers in society, but some are members of the party, the government, and the army who have been corrupted by bourgeois ideas. These members have seriously destroyed our four modernizations drive economically, disrupted social stability, polluted the social atmosphere, corrupted the people's ideas and livelihood, and damaged, as though they were white ants, the edifice of socialism. By no means should we regard such economic crimes as merely ordinary crimes and antisocial activities. Such economic crimes are an important expression of class struggle under the new historical situation in which our country opens itself to the outside world and enlivens its domestic economy. If we let such serious economic crimes spread unchecked, our modernization drive cannot develop smoothly. Only when we deal strict blows to serious economic crimes in the course of firmly implementing various existing economic policies can we correctly execute the policies of opening to the outside world and enlivening the domestic economy and can we ensure that the four modernizations will advance along the socialist road.

Viewing the serious economic criminals who have been tried this time, many serious economic crimes have stemmed from unhealthy trends. Such criminals have forgotten righteousness in view of profits, and have taken advantage of the loopholes in their jobs and their positions and powers to seek personal gain. Motivated by the idea of "doing everything for money's sake," such criminals have fished for money at the cost of departing from personal and state dignity, and even doing things offensive to sacred principles and reason and murdering others for money. Such criminals have cast all party discipline and state laws to the wind. Therefore, our party organizations at all levels should further strengthen the ideological and political work, and use various means to conduct persuasive ideological education in order to enhance the political awareness of the vast number of party members, cadres, and the masses and guide them to voluntarily become laborers with lofty ideals, moral integrity, knowledge, and a sense of discipline; to consciously correct their unhealthy practices; and to resolutely resist all ugly phenomena that damage party style and the social mood. This is the only way to avoid and reduce the incidence of unhealthy trends developing into serious economic crimes.

At present, the number of economic crimes is still tending toward increasing. The reasons for this are as follows: First, quite a few cadres, including some leading cadres, have lacked due understanding of the harmfulness of economic crimes and the protracted nature and urgency of the struggle against serious economic crimes have failed to resolutely struggle against economic crimes, and have failed to expeditiously reveal, investigate, and deal blows to those economic crimes as necessary, thus having encouraged the arrogance of economic criminals. Second, some of our leading cadres still indulge in serious bureaucratic work style. Those leading cadres stand high above the masses, deviate from the masses and reality, and have scanty knowledge of the economic irregularities of their own units. Objectively, the bureaucratic work style has covered the crimes of economic criminals, and has become a "harbor" for economic criminals. Third, at some enterprises and institutions, management is chaotic, and regulations and systems are full of loopholes, thus providng opportunities for economic criminals. Therefore, party organizations at all levels should conscientiously sum up experiences and lessons, and educate cadres to further enhance their understanding of the struggle against economic crimes in order to achieve results in this struggle. At the same time, party organizations at all levels should thoroughly correct the bureaucratic style of work, should go deep into the realities of life to conduct investigations and studies, should expeditiously discover and reveal the criminal offenses of their own units, should investigate and deal with such criminal offenses in a timely manner in coordination with judicial departments, and should, in particular, pay attention to the investigation and handling of major and appalling cases. All units should actually strengthen their management, establish and improve their regulations and systems, close their loopholes, and provide no opportunities for criminals to commit crimes.

Judicial departments at all levels should pay attention to the investigation and trying of serious economic crimes, and should deal severe blows according to law to those economic criminals whose crimes are irrefutable.

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CSO: 4006/633

ECONOMIC MANAGEMENT

STRATEGIC PROBLEMS IN NEW PRODUCT DEVELOPMENT

Hanzhou ZHEJIANG DAXUE XUEBAO [JOURNAL OF ZHEJIANG UNIVERSITY] in Chinese Supplementary Issue 25 Oct 85 p 92

[Article by Xu Qingrui]

[Text] New product development in the 1960's in general was in a sequential form, lasting a long period of time and resulting in a high percentage of failure. The major characteristics of new product development in the 1980's are as follows:

--wide use of testing, consumer interview, and survey;
--integration of technology with marketing;
--development of other models which are variations of the first successful entry;
--emphasis on new process development concurrently with new product development.

Two kinds of work in development process: routinized one and high uncertainty one. Take the parallel-form by employing measures to solve the uncertainty in the early stage of development.

Alternatives of main strategies in new product development: First-to-market (leader); follow-the-leader (follower); late-to-market (me-to); market segmentation (application engineering). The technology-marketing characteristics of different strategies. Typical functional requirements of alternatives for new product development strategies.

/9365
CSO: 4011/14

FINANCE AND BANKING

PRC TO INCREASE TAX BENEFITS FOR OVERSEAS CHINESE INVESTORS

HK100551 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 10 Jan 86 p 5

[Article by Paul Sham]

[Text] China is to give increased tax benefits to overseas Chinese to induce them to invest more capital in the country, according to banking sources in Hong Kong.

The sources said they were told during private talks with Chinese officials that joint ventures set up by overseas Chinese will soon enjoy three-year tax holidays and pay only half the tax rate for the following four years.

Overseas Chinese are exempt now from tax for three years and pay half tax for the next two years.

Other foreign investors enjoy a two-year tax holiday and pay half tax for the next three years.

The sources told BUSINESS NEWS the revision is aimed at enlarging the difference between the incentive offered to overseas Chinese and other foreign investors.

The sources said the Overseas Chinese Affairs Office has been pushing for revision since the middle of last year after realizing some foreign investors enjoyed almost the same tax benefits as overseas Chinese.

The office is said to have complained that Beijing's call to encourage investment by overseas Chinese has not been well received.

China has repeatedly urged the estimated 20 million overseas Chinese to help modernize the country.

It is believed Chinese officials are more willing to do business with overseas Chinese because they share the same language and cultural background.

In addition, investment by overseas Chinese is viewed in China as placing more importance on helping the country than making a profit.

Sources said about four joint venture projects, mainly hotel construction, have received verbal promises from the relevant authorities that they will be given the revised tax benefits.

Negotiations for these projects will be finalized in April.

The sources said they expect the revised tax structure to become official before the second quarter of this year.

They said no joint venture is known to have received the new tax benefits to date.

A senior executive of the Bank of China's Hong Kong-Macao Regional Office said they had heard about the tax revision, but were unclear when it will take effect.

A foreign banker doing business with China said the tax benefit will be more generous for projects which are small and require less complicated application procedures.

He was told by some Chinese officials the tax holiday might be extended to four years and the subsequent three years tax halved.

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CSO: 4020/191

FINANCE AND BANKING

BANK OF CHINA INCREASES LENDING, DEPOSIT RATE IN 1985

HK130832 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 13 Jan 86 p 1

[Article by Cecilia Ko]

[Text] Despite weak credit demand and difficult market conditions last year, the Bank of China [BOC] group managed to increase its lending and deposit base by 30 percent, according to Mr Lau Chiu-yip, deputy general manager of the business division of BOC's Hong Kong-Macao Regional Office.

Senior bank officials said a total 6,600 new loans amounting to about $2.2 billion were extended by the group to the industrial sector last year, an increase of more than 18 percent compared with 1984.

In an interview, Mr Lau told BUSINESS NEWS that despite Beijing's clampdown on foreign exchange spending the group increased its lending to local and foreign businessmen investing in China about $4.3 billion, an increase of 4.4 percent over the amount lent in 1984.

The group also lent about $765 million to finance projects in Hong Kong and China through synidcated loans.

The results indicate the BOC group outperformed the local banking sector as a whole last year, since the latest government statistics show total loans and advances increased only 6.3 percent at the end of November while the volume of deposits rose 23.9 percent.

The BOC group, comprising 13 banks in Hong Kong and one in Macao, is seen by the major local and foreign banks as offering increasing competition in the domestic market.

Mr Lau said in the past two years the group has identified several business areas as its focus of its expansion.

These include financing of industry and utilities, residential property and government home ownership mortgages, providing funds for Chinese corporations based in Hong Kong as well as local and foreign businessmen who invest in and trade with China.

He said he expects the BOC group, and the banking sector as a whole, to maintain a steady growth this year as China continues its open economic policy.

Reviewing last year's loan performance, Mr Lau said the BOC group lent about $800 million to the Mass Transit Railway Corporation through syndicated loans and other capital market instruments, showing its support for the utility sector.

Its government home ownership mortgage loan portfolio doubled, while the volume of loans to buyers of residential units offered in the private sector grew 66 percent.

As a main financier to the increasing number of Chinese corporations setting up offices in Hong Kong, the BOC group provided them funds to buy equipment and make other investments in the territory.

Mr Lau said the amount of these loans increased 53.8 percent over the 1984 figure.

Beijing's tight control on foreign exchange spending has resulted in some readjustments in the construction programs of infrastructure projects in China.

Mr Lau said the resulting slowdown in the execution of such projects in China will benefit the country, foreign investors and the lending banks because the projects that do proceed will have been carefully assessed and guaranteed.

He said about 365 new loans were made last year by the BOC group to Hong Kong and foreign businessmen investing in China, up 27 percent compared with 1984.

But in terms of the amount involved, the increase was a marginal 4.4 percent, Mr Lau added.

Assigned the role of assisting China's modernization program, the BOC group has also been active in raising funds through syndicated loans in Hong Kong.

Mr Lau said banks in the group participated in 11 syndicated loans amounting to $5.1 billion last year, providing 15 percent of the funds and acting as lead managers in five.

He said more than half these loans are being used for projects in China, most notably hotel construction in Shanghai and industrial ventures in the Shekou Special Economic Zone.

The syndicated deals signed last year included those for the Shanghai Hilton Hotel and the Dailin Furama Hotel.

He said the group is also keen to finance local infrastructure development.

He said last year the group participated in loans syndicated for Asia Terminals Ltd, Kowloon-Canton Railway Corporation and the Admiralty II project.

On the capital market side, he said the group has developed its capability as an underwriter.

Mr Lau said the group has underwritten 33 Hong Kong dollar paper issues, almost half the total volume arranged last year.

As an outlet for the surplus liquidity, the 13 Chinese banks have also bought these paper on the secondary market.

Mr Lau said the amount of paper the BOC group bought last year increased 47 percent compared with 1984.

The boom in the certificates of deposit and commercial paper market has actually encouraged the BOC group to step up its treasury and capital market operations.

One notable example is the Bank of Communications, a BOC group member, which plans to raise between $200 million and $250 million through the issue of fixed-rate CDS.

Mr Lau said whether other BOC members will follow this example will depend on their funding requirements.

He said the group is interested in assisting Chinese corporations tap the capital market, but it has yet to develop their capabilities as arrangers and lead managers.

While the BOC group has a strong competitive edge in the local and China markets, its overseas network still lags behind other international banks.

Mr Lau said the BOC's parent bank in Beijing has already strengthened its overseas network by opening branches and offices in New York, London, Sydney, Luxembourg and Singapore.

Nanyang Commercial Bank, another BOC group member, has also set up overseas branches and offices.

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CSO: 4020/191

FINANCE AND BANKING

BRIEFS

JILIN INDUSTRIAL, COMMERCIAL TAXES--Jilin Province prefulfilled the 1985 industrial and commercial tax revenue plan by 21 days. As of 10 December 1985, the province had collected 2,267,640,000 yuan in industrial and commercial taxes, exceeding the state readjusted tax plan by 9.3 percent and showing an increase of 601.04 million yuan, or 36.1 percent, over the same period of 1984. Of the increased portion, 60.53 million yuan came from the discovery of tax evasion through the general tax check-up, accounting for 10.07 percent of the annual increase. [Summary] [Jilin JILIN RIBAO in Chinese 23 Dec 85 p 1 SK] /8918

CSO: 4006/651

TOURISM 'INCREASINGLY IMPORTANT' TO ECONOMY

OW201303 Beijing XINHUA in English 1250 GMT 20 Jan 86

[XINHUA headline--"China Aims to Beat Tourist Blues"]

[Text] Beijing, 20 January (XINHUA)--China will make major efforts over the next 5 years to improve transport and services for the rapidly-growing number of foreign tourists, it was announced here today.

Wang Yueyi, deputy director of the National Tourism Administration, said the government was very concerned about complaints from overseas tourists about inadequate transport and poor service.

Tourism is an increasingly important money-earner for China, bringing in 1.3 billion U.S. dollars last year.

Wang told a press conference here that the authorities planned to concentrate on improving facilities at several popular holiday resorts.

Major efforts would be made to upgrade transport and hotel facilities in the cities of Beijing, Shanghai, Xian, Guilin, Hangzhou, Suzhou, Wuxi, Nanjing and Guangzhou and on Hainan Island.

Meanwhile, facilities would be improved in other areas which attract tourists, such as Lhasa in Tibet, Western Sichuan, Yunnan and Guizhou Provinces and along the three Yangtze River gorges.

Wang said central and local governments would invest in these schemes, but foreigners would also be welcome to invest in them.

Regarding complaints from tourists, he said: "We should intensify personnel training as well as stepping up transport and hotel construction to solve the problems."

China expects to receive 5 million overseas tourists in 1990, and between 10 and 12 million by the year 2000. Last year, China received 1.38 million foreign tourists--21 percent more than in 1984.

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CSO: 4020/187

INDUSTRY

TOURISTS WANT LESS EXPENSIVE ROOMS, MORE SOUVENIRS

OW211652 Beijing XINHUA in English 1623 GMT 21 Jan 86

[Text] Beijing, 21 January (XINHUA)--China should concentrate on building medium-grade hotels so as to meet the growing needs of foreign tourists, a senior Chinese tourism official said here today.

Because China lacks low-priced hotel rooms, many foreign tourists have complained, Han Kehua, director general of the National Tourism Administration of China, told a national meeting on tourism today.

The majority of overseas tourists prefer to spend less on accommodation, but they still set very high demands on sanitation and service, Han pointed out.

He told the meeting that his administration plans to build 61,700 hotel rooms in the next 5 years to tackle the serious shortage in many of the major tourist cities in busy seasons.

When talking about the production and sale of tourist commodities, Han said that the earnings from this sector stand at 37 percent of the total income of China's tourist industry in recent years, which is quite low compared with the figure for advanced countries.

Many tourists complained that they cannot buy desirable souvenirs while travelling in many places in China, and this problem should be solved by expanding production and sales, Han said.

Production for overseas tourists could enjoy some of the preferential terms enjoyed by export commodities, he said. The supply of raw and semi-finished materials should be secured, he suggested.

He urged the enterprises concerned to try to bring the proportion of the earnings or tourism commodities in the total income of the tourist industry to 47 percent by 1990.

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CSO: 4020/187

INDUSTRY

HEILONGJIANG INCREASES PRODUCTION OF CONSUMER GOODS

SK231019 Harbin HEILONGJIANG RIBAO in Chinese 7 Jan 86 p 2

[Excerpts] During the Sixth 5-Year Plan period, the production of our province's light industrial daily consumer goods developed fairly rapidly. The output of sugar, machine-made paper, dairy products and beer doubled and redoubled. The output of sugar, dairy products, and beer ranked first in the country.

Last year the output value of the first light industrial enterprises throughout the province reached 2.46 billion yuan, showing a 70.8-percent increase over 1980 and averaging an annual increase of 11.3 percent. The output, quality and economic results of their products also showed fairly great improvement.

In order to satisfy market demands, the first light industrial enterprises actively strived to increase the output of the products in short supply, thus rapidly developing the production of consumer goods. The output of sugar reached 500,000 tons, 150 percent greater than in 1980. The province's beet output ranked first in the country. The annual output of machine-made paper reached 420,000 tons, 50 percent greater than in 1980, and ranks eighth in the country. The output of draft paper ranked first, and that of newsprint fourth in the country. The output of dairy products was 42,000 tons, 2.2 times greater than in 1980 and ranking first in the country. The output of beer totaled 360,000 tons, 2.2 times greater than in 1980 and ranking first in the country. In addition, the production of other daily consumer goods, such as synthetic detergent, matches, batteries, soaps and cosmetics, also showed a great development. This helped enrich the urban and urral markets of our province.

During the Sixth 5-Year Plan period, first light industrial enterprises throughout the province provided 1.85 billion yuan of profits and taxes to the state. The annual amount reached 440 million yuan in the latter years of the period. During the 5 years, their taxes and profits increased by an average of 10.9 and 10.4 percent annually, thus basically showing simultaneous increases in production and economic results.

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CSO: 4006/640

INDUSTRY

BEIJING STEEL COMPANY PROFITS UP 20 PERCENT

OW181210 Beijing XINHUA in English 1139 GMT 18 Jan 86

[Text] Beijing, 18 January (XINHUA)--The Capital Iron and Steel Company of Beijing has maintained an annual profit increase rate of 20 percent for 7 years.

The company's total profit went up to 934 million yuan (about 3 million U.S. dollars) last year, a 150 percent increase compared to 1978, before the start of the economic reform policy.

This was revealed by Zhao Changbai, the company's deputy general manager at an ongoing national metallurgical industry conference.

She said that the company's total output of steel amounted to 2.58 million tons and that of rolled steel to 2.35 million tons last year--11.4 percent and 10.27 percent increases, respectively, compared to the previous year.

The company turned out a total of 4.54 million tons of ore concentrate and 3.25 million tons of pig iron last year--4 percent and 7.64 percent more, respectively, than in the previous year.

Zhao attributed the sustained increase of output and profit to a series of rational technological upgrading steps.

Since 1979, when it became one of the few major industrial enterprises designated by the state government to try out the contract system, the company has invested a total of 500 million yuan in technological transformation and has increased its profits by 1.39 billion yuan. This means that an average of 1 yuan invested has gained the company a profit of 2.86 yuan, 85.2 percent of the total increased profit was the result of technological transformation.

The company invested 5.24 million yuan and completed technological transformation on three converters, three overhead travelling cranes and other equipment last year. This brought the company a 81,000-ton increase in steel output and a 9.25 million-yuan jump in profit.

The actual capacities of converters and blooming mills are now three times as big as they were originally designed to be.

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CSO: 4020/187

SHANGHAI DEFENSE INDUSTRY MAKES CIVILIAN GOODS

OW231439 Shanghai City Service in Mandarin 0100 GMT 21 Jan 86

[Excerpts] Taking advantage of its defense industry technology and tapping production potential, the Shanghai Municipal Bureau of Astronautics Industry has scored marked results in finding markets for its products and technology.

In recent years, the enterprises under the bureau have focused on the manufacture of products for civilian use. They have developed a number of major products for civilian use. Key products such as televisions, electric fans, refrigerators, and five other products manufactured by the bureau have an annual output value of over 10 million yuan. The bureau has become one of Shanghai's important bases manufacturing five major categories of consumer goods.

The bureau has also applied its defense industry technology in manufacturing products urdently needed by the state. The Shanghai Radio Plant has developed a device to determine the speed of vehicles, thus adding new equipment for controlling urban traffic. The Shanghai Radio Equipment Plant and other units, successfully applying telecommunications technology, have manufactured antennas to receive satellite signals. The antennas have successfully received signals from satellites over the Indian and Pacific Oceans.

More, the Shanghai Municipal Bureau of Astronautics Industry, by developing economic and technical cooperation, has in 2 years set up joint ventures with 25 cities and counties throughout the country to manufacture more than 20 kinds of products whose output value has exceeded 10 million yuan a year.

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CSO: 4006/640

INDUSTRY

BRIEFS

LIAONING INDUSTRIAL PRODUCTION--In 1985 the total industrial output value reached 65.72 billion yuan in Liaoning Province, 8.1 billion yuan more than that of 1984, and overfulfilling the targets set by the provincial CPC Committee and the provincial People's Government. Meanwhile, in the course of effecting a steady increase in heavy industry, our province scored rapid progress in light industry. In 1985 the provincial light industrial output value came to 22.55 billion yuan, 2.353 billion yuan more than that in 1984. Relatively good results were also achieved in the production of energy resources. In 1985 output of such primary energy resources as raw coal, natural gas, crude oil, and hydroelectric power reached 49.2 million tons, calcuated in terms of standard coal, some 4.28 million tons more than that in 1984. At the same time, the total output value of collective-run industrial enterprises increased by 25 percent over that of 1984. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 15 Jan 86 SK] /6662

JILIN INDUSTRIAL PRODUCTION--Last year industrial and communications enterprises throughout Jilin Province effected simultaneous increases in output value, profits and taxes, and financial revenue. The total provincial industrial output value was 21.3 billion yuan, a 14 percent increase over the previous year. Last year the province developed 1,400 new products which created 720 million yuan in output value and earned 70 million yuan in profits. [Summary] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 16 Jan 86 SK] /6662

NEI MONGGOL LIGHT INDUSTRY--By the end of November, the total output value of the second light industrial enterprises of Nei Monggol had reached 812.13 million yuan, overfulfilling the annual quota by 2.13 million yuan 1 month ahead of schedule. [Excerpt] [Hohhot NEIMENGGOU RIBAO in Chinese 24 Dec 85 p 1 SK] /6662

BEIJING INDUSTRIAL PRODUCTION--The industrial output value of Beijing Municipality was 30.71 billion yuan last year, of which 14.17 billion yuan was created by local budgetary enterprises. [Excerpt] [Beijing BEIJING RIBAO in Chinese 12 Jan 86 p 1 SK] /6662

EMULSIFIED EXPLOSIVES MIXING, FILLING CAR--Changsha, 21 Jan (XINHUA)--China's first emulsified explosive mixing and filling car, recently passed a technical assessment test conducted by the Ministry of Metallurgical Industry. This car adopts a new method of continuous emulsification and on-the-spot mixing. Like a mobile explosives plant, it turns out explosive at demolition sites and automatically fills each blasthole with the needed amount of explosive. It is capable of filling 6-8 tons of explosive an hour. By combining production with the filling of explosives, it eliminates the process of packing, transporting, and storing ready-made explosives, reduces production costs, accelerates the speed of filling explosives, and improves the blast quality so that the production and use of explosives can be safer and more convenient. In light of the rock conditions on mining sites, it can also produce a variety of explosives and improve the blast effect by adjusting the composition. [Text] [Beijing XINHUA Hong Kong Service in Chinese 0917 GMT 21 Jan 86 HK] /6662

TOURISM PROSPECTS FOR 2000--Beijing, 21 January (XINHUA)--China is hoping to be earning up to 10 billion U.S. dolalrs a year from tourism by the year 2000, a senior tourism chief was quoted as saying in today's PEOPLE'S DAILY. Han Kehua, director-general of the National Tourism Administration, said that by then the country should be attracting 10 million foreign tourists a year. Last year, 1,380,000 overseas tourists visited the country, bringing in about 1.3 billion dollars in foreign currency. Han said development of tourism would be given priority in the economic plans of Chinese cities well-known for their tourist attractions. Along with the improvement of transport and hotel facilities, more competent personnel would be trained to work in the industry. Special tourism colleages would be established. [Text] [Beijing XINHUA in English 0842 GMT 21 Jan 86 OW] /12232

ORDNANCE INDUSTRY INCREASES GOODS--Beijing, 22 January (XINHUA)--The Ordnance Industry Ministry plans to increase its production of goods for civilian use, while guaranteeing the supply of weapons for the armed forces, according to Minister Zou Jiahua. He said that within 5 years civilian goods will account for 67 percent of the total output value of the Ordnance Industry, compared to 36 percent now. The ordnance enterprises are now producing motor-scooters, refrigerators, cameras, hydraulic supports and equipment for the petroleum industry. The minister said that all ordnance enterprises have been ordered to produce civilian goods. The minister said that developing production of civilian commodities is an important part of the current restructuring of the ordnance industrial system. He expected ordnance enterprises, using their advantages in technology and equipment, to produce competitive products for the civilian market in 2 or 3 years. [Text] [Beijing XINHUA in English 0704 GMT 22 Jan 86 OW] /12232

CSO: 4020/187

CONSTRUCTION

ZHEJIANG REGISTERS RAPID GROWTH IN HOUSING CONSTRUCTION

HK210913 Beijing ZHONGGUO XINWEN SHE in Chinese 1013 GMT 16 Jan 86

["Quick Pace of Residential Housing Construction in Zhejiang's Rural Areas"--ZHONGGUO XINWEN SHE headline]

[Text] New residential units with a floor space of 40 million square meters were built in Zhejiang's rural areas last year. This has increased the total floor space completed over the past 5 years to more than 186 million square meters. Calculated on an average of 80 square meters per household, this means that more than 2.3 million peasant households have moved to new houses.

The newly-built residential houses are generally two- or three-storied brick buildings. The houses of some well-to-do specialized households, however, are four or five stories high or look like villas. Some peasants houses have exquisite interior decorations. Terrazo and painted floors are fairly popular. Some houses are even paved with flowered tiles, with the walls painted or covered with wallpaper.

The rise of country fair trade and specialized markets, the development of town and township enterprises, and the fact that peasants have flocked to market towns in large numbers to engage in industry, commerce, and service trades have continuously expanded the scope and the number of market towns in Zhejiang. For example, after Qiaotou town in Yongjia County, Wenzhou Prefecture, became a national distribution center for buttons, the scope of the town has expanded by nearly 100 percent. The number of market towns in the province has increased from 176 in 1980 to 463 to date. Situated on the southern bank of the Ao Jiang and bordering on the Dong Hai, Changnan Country's Longgang town has transport facilities. Since 1983, more than 3,000 rural specialized households flocked to this town. They put up nearly 200 million yuan in construction funds to build residential units, shops, and factories with a total floor space of 880,000 square meters, as well as 27 streets. In less than 3 years Longgang has turned from a village with only several hundred households to an industrial and commercial town with a population of more than 10,000. It also has oceangoing ships sailing directly to Shanghai.

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BRIEFS

HEBEI URBAN FACILITIES CONSTRUCTION--During the implementation period of the Sixth 5-Year Plan, Hebei Province has made faster progress in developing urban basic facilities. The province has newly built seven waterworks in urban areas, which have provided an increase of 299,000 tons in water supply. In 1985 the province laid new pipelines whose length surpassed that of lines built up to 1980 by 1,000 kilometers. The rate of urban households that had begun to receive pipe water increased from 79.6 percent in 1980 to 82.9 percent in 1984. As of the end of 1984, the cities of Shijiazhuang, Baoding, Changzhou, Qinhuangdao, Tangshan, Zhangjiakou, Handan, and Chengde had built their gas supply facilities in varying scales and established their liquefied petroleum gas companies. In 1984 the total sale of liquefied petroleum gas was 19,464 tons, of which the consumption of households accounted for 99.2 percent, and the number of households totaled more than 216,000. During the period the province has also built or revamped 2.52 million square meters of roads in urban areas and built 10 permanent bridges and 27 railway overpasses. The province has also put 250 new buses into operation in the urban areas. [Excerpts] [Shijiazhuang HEBEI RIBAO in Chinese 20 Dec 85 p 1 SK] /6662

HEBEI URBAN HOUSING CONSTRUCTION--During the implementation period of the Sixth 5-Year Plan, Hebei Province accelerated its pace in building urban residential housing. Since 1981 the province has invested 3.4 billion yuan in housing construction, a 2.5-time increase over the figure from the founding of the PRC to the end of 1978. It has built more than 23 million square meters of housing. The per-capita space of housing among the 12 cities throughout the province increased from 3.3 square meters by the end of the Fifth 5-Year Plan to 4.8 square meters by the end of 1984. It is estimated that the per-capita space of 1985 may reach 5 square meters. [Excerpts] [Shijiazhuang HEBEI RIBAO in Chinese 29 Dec 85 p 1 SK] /6662

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DOMESTIC TRADE

SHANDONG DEVELOPMENT IN LATERAL COOPERATION REPORTED

SK140510 Jinan Shandong Provincial Service in Mandarin 2300 GMT 13 Jan 86

[Text] Our province has exerted great efforts to expand lateral ties between various prefectures within the province and with other provinces and municipalities through various channels and measures. Since 1982, our province has reached agreements on 5,530 cooperation projects with 28 provinces, municipalities, and autonomous regions, and more than 100 higher educational institutes; brought in 1.168 billion yuan of funds; employed approximately 10,000 engineering and technical personnel of various specialities every year; offered, together with other provinces and municipalities, college courses for 2,166 persons; and imported and exported, through negotiations, more than 1.5 billion yuan worth of goods.

Coastal areas in the eastern part of our province are fairly developed economically and technologically but they lack natural resources. The inland areas of our province are weak in terms of their economic and technological capacity but have abundant resources. In July 1985 the province convened its first meeting for the eastern and western areas to hold economic and technological talks. At the meeting 18 agreements on economic cooperation and 64 agreements on technical cooperation were signed. The province also organized Qingdao, Yantai, Weifang, Zibo and Jinan cities to support seven poverty-stricken counties in the Yimeng mountainous area. A total of 146 agreements on the support have already been signed, 364 persons have been sent to give technical guidance, and training courses have been offered to 253 persons of the counties.

Our province also broke the demarcation between provinces and municipalities to join in larger economic cooperation areas. In 1985 Qingdao and Yantai cities joined in the Bohai economic circle; some counties and cities of Dezhou Prefecture joined in the economic zone of Hebei-Shandong contiguous areas; Jining city and Heze Prefecture joined in the economic zone composed of eight cities of Jiangsu, Shandong, Henan, and Anhui Provinces; and Liaocheng and Linqing cities joined in the economic zone composed of 15 cities and prefectures of the four provinces in central China. At the same time, friendly ties were established between Jinan and Xining cities, between Qingdao city and Yanbian Autonomous Prefecture, and between Weifang city and (Haidong Prefecture), thus turning single-item, scattered cooperation into multi-faceted, long-term, and stable cooperation.

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DOMESTIC TRADE

BRIEFS

SHAANXI EXTERNAL ECONOMIC COOPERATION--In 1985 the province developed various lateral economic links in many channels, giving new vitality to the province's urban economy. According to statistics of the relevant departments, in 1985 the province signed a total of 7,400 contracts, agreements, and intentions, an increase of 100 percent over the total number of contracts, agreements, and intentions signed in the three years from 1982 to 1984. In 1985 the province brought in some 450 million yuan in funds, an increase of 125 percent over 1984. The technological transactions concluded by the province in 1985 amounted to some 630 million yuan. [Summary] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 10 Jan 86 HK] /12913

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FOREIGN TRADE AND INVESTMENT

SIXTH NPC STANDING COMMITTEE VIEWS FOREIGN ENTERPRISES LAW

HK210619 Beijing ZHONGGUO XINWEN SHE in Chinese 1259 GMT 14 Jan 86

["Liu Jingji Suggests That the Period Allowed For Foreign Enterprises Operating in China Should be Extended"--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 14 Jan (ZHONGGUO XINWEN SHE)--At the 14th meeting of the 6th NPC Standing Committee held today to examine and discuss the draft "Law on Foreign-run Enterprises," Liu Jingji, member of the Sixth NPC Standing Committee and noted figure in industrial and commercial circles, suggested that the period allowed foreign enterprises operating in China should be extended so that the investors can have room for maneuver, make further investments, and upgrade equipment and technology. He also suggested that detailed rules and regulations for the implementation of the law should be drawn up as quickly as possible.

Liu believed that the draft "Law on Foreign-run Enterprises" has been drawn up satisfactorily and that it can remove doubts. He said: By last September, 104 foreign enterprises had made small investments in China. Most of these are at the stage of finding out how the wind blows. In my view, this is primarily because they are not sure whether the enterprises in which they have invested could be run for a long time and whether there were any guarantee of this. They also wanted to see whether they would stand to gain. The draft "Law on Foreign-run Enterprises" will be able to remove the doubts of foreign businessmen.

In the course of the discussions, NPC Standing Committee member Hong Sisi pointed out: Some stipulations in the draft "Law on Foreign-run Enterprises" are studied to the requirements of foreign investors and will be well received. For example, on the question of whether or not foreign businessmen will be allowed to set up enterprises in China, the draft law stipulates that the competent authorities concerned should make their decisions within 90 days of receiving the applications. It also stipulates that the legitimate income of the investors may be remitted abroad according to the law.

Hong Sisi also hoped that the departments concerned will conduct a feasibility study on various investment projects. They should not only suit China's needs but also allow other people to make profits. He said that some overseas Chinese and Chinese of foreign nationalities have come to China in the hope of making investments. However, because we have not exhaustively studied the feasibility of these investment projects, the results have often been unsatisfactory.

Ma Man-kee, a member of the NPC Standing Committee from Macao, said that the question of how to administer foreign enterprises is an important one. Introduction of foreign capital should be integrated with China's reality. It should be conducted in a down-to-earth and not a blind way. We should have an overall plan on this question and the departments concerned should study well the problems that may arise.

NPC Standing Committee member Fu Hao favored the formulation of the "Law on Foreign-run Enterprises" but believed that the clauses of the draft law are rather abstract and fail to go into sufficient detail. He said that the key to the problem lies in management. He suggested that the central authorities should assign a competent department to assume overall responsibility so as to prevent the phenomenon of each unit acting on its own.

In deliberating the draft law, NPC Vice Chairman Geng Biao raised the question of whether or not there should be some restrictions on the operations of foreign enterprises and whether the development of similar Chinese industries will be affected if the restrictions should be too loose. The draft law stipulates that the products of foreign enterprises should, as far as possible, be exported but it does not state clearly who should be responsible for exporting them.

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CSO: 4006/652

FOREIGN TRADE AND INVESTMENT

ANHUI'S FOREIGN TRADE ACHIEVEMENTS NOTED

OW180605 Hefei ANHUI RIBAO in Chinese 28 Dec 85 p 1

[Excerpts] During the "Sixth 5-Year Plan" period, Anhui has earnestly implemented the principle of opening to the outside world, actively reformed the foreign trade system, and made tremendous progress in foreign trade.

The province has registered growth in import and export business on a large scale. The total volume in export during 1985 reached $300 million, 7.5 times more than the 1980 figure. It registered an annual rate of growth of 49.8 percent and overfulfilled the export target set for the "Sixth 5-Year Plan" by 15 percent. The total volume of imported goods for 1985 reached $100 million, 12.6 times more than the 1980 figure.

The province has obtained remarkable results in importing technology. During the past 5 years, the foreign trade departments at all levels throughout the province have actively coordinated with various economic departments and units in industrial and agricultural production to vigorously import technology from foreign countries while transforming existing enterprises, attaching importance to the development of medium-sized and small projects, and paying particular attention to the import of key technical equipment. During the "Sixth 5-Year Plan" period, they have signed a total of 492 contracts totaling $258 million.

The province has expanded the scope in the use of foreign investments. For the past 5 years, Anhui had signed 57 contracts in the use of foreign investments totaling $222 million through cooperative production, rental, compensative trading, government loans, and other forms. As of the end of 1985, a total of 25 applications for forming Sino-Foreign joint ventures and enterprises in cooperative production had been approved according to law.

The province has attained gratifying results in facilitating economic and technical cooperation with foreign countries. During the "Sixth 5-Year Plan" period, our province accepted 12 state assignments for extending economic aid. At the same time, our province dispatched more than 2,540 workers and people to Iraq, Kuwait, Liberia, Seychelles, and other countries to extend economic aid and perform labor work. This has promoted international friendship, expanded economic exchanges, improved economic results, and laid a good foundation for carrying out this type of work on an even larger scale.

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CSO: 4006/652

FOREIGN TRADE AND INVESTMENT

TRADE DEVELOPED DURING SIXTH 5-YEAR PLAN PERIOD IN HEBEI

SK300730 Shijiazhuang HEBEI RIBAO in Chinese 7 Jan 86 p 1

[Text] During the Sixth 5-Year Plan period, our province witnessed a stable progress in economic relations and trade with foreign countries, and scored comparatively great achievements in exports, utilization of foreign capital, import of technologies, contracting for projects, labor service cooperation and in linking trade with industry, agriculture, commerce, and technology.

During this period the province's export volume increased substantially. The total value of commodities procured for export amounted to more than 9.31 billion yuan, a 110-percent increase over that during the Fifth 5-Year Plan period; and the foreign exchange earned from exports amounted to more than $4.42 billion, a 165-percent increase, both prefulfilling the targets set by the Sixth 5-Year Plan. By the end of November last year, the foreign exchange collected from exports totalled $1.19 billion, a 74.85-percent increase over the corresponding period of the previous year. Our province has also made a good beginning in utilizing the foreign capital and importing technologies. From 1979 to 1985, the province actually drew in foreign capital worth $21.8 million. Thus far the province has had 44 Chinese-foreign joint ventures and 7 Chinese-foreign cooperative ventures, and has developed 50 foreign capital utilization projects through the compensatory trade and other forms. The utilization of the foreign capital and import of technologies have not only made up for the deficiency of the province's construction funds, but have also drawn many advanced foreign technologies and management experience. This has played an active role in promoting the technical transformations of our enterprises, improving the quality of our products, increasing the varieties of design and pattern of our products, expanding exports, and strengthening our ability to earn foreign exchange.

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CSO: 4006/653

FOREIGN TRADE AND INVESTMENT

HUNAN INAUGURATES INVESTMENT COMPANY WITH HONG KONG

HK210639 Beijing ZHONGGUO XINWEN SHE in Chinese 1301 GMT 16 Jan 86

[Text] Hong Kong, 16 Jan (ZHONGGUO XINWEN SHE)--Deputy director of the Foreign Economic Relations and Trade Department of Hunan Province Shi Jinguang said here today that Hunan is a land flowing with milk and honey and is abundant in nonferrous metals and other mineral resources. In its economic cooperation with foreign countries, priority will be given to the development of food and mining industries.

He made these remarks to newsmen at the inaugural ceremony of the Hunan Hong Kong Investment Company Limited.

The company is jointly run by the China Hunan International Economic Development Company, Tai Cheng International Limited and Hutchison (China) Holdings Limited of the purpose of introducing foreign investment funds and modern technology into Hunan Province.

Shi Jinguang disclosed that the general director of Hutchison (China) Holdings Limited Ma Shih-min would lead a group of 5 to 6 people to Hunan in early April in order to make on-the-spot investigations on food, mineral and tourist resources. He said that Hutchison has an effective system of retailing food in Hong Kong, but its supply of goods is mostly from foreign countries. It is therefore good for the company to cooperate with Hunan, a land of abundance, in the development of its business.

Shi Jinguang noted that in developing the mining industry, China Hunan International Economic Development Company is discussing with foreign investors the importation of modern technology and equipment of exploit at gallium arsenide and porcelain clay.

He also said that western Hunan is a tourist attraction, marked by a picturesque forest park--Wuling Garden. The province has decided to build an airport in Dayong County in the vicinity [of] the park. It is estimated that the prospects for the development of tourism in Hunan are very good.

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CSO: 4006/653

LIAONING NOTES ACHIEVEMENTS IN FOREIGN ECONOMIC COOPERATION

SK310616 Shenyang LIAONING RIBAO in Chinese 16 Jan 86 p 1

[Text] At the provincial forum on the work of opening up to the outside world held in Dalian on 10 January, journalists learned that since the establishment of the Dalian economic and technological development zone, the province has quickened the pace of opening to the outside world, the system of the management of the foreign economic relations and trade has gradually been brought into better balance, and the capacity for creating foreign exchange through exports has been strengthened.

During the past 2 years, since it regarded the work of opening to the outside world as a strategic task for rejuvinating Liaoning, the province has made new breakthroughs in using foreign capital and bringing in advanced technology from abroad. Special indicators are as follows: The province has found an increasing number of channels for establishing relations with more and more countries. The work of using foreign capital and importing foreign technology has been carried out at an increasingly faster pace. Rapid progress has been made in the items requiring the direct utilization of foreign capital. The development of the production-oriented items and the items which require intensive technology and intensive knowledge has been accelerated. The sum of money involved in the contracts between the province and foreign countries signed in the past 2 years showed an increase of 460 percent over the total for the past 5 years.

Our province, an old industrial base, has been revitalized through opening to the outside world. The work of opening to the outside world acts as a positive impetus in the province's economic development. First, the people have further emancipated their minds, broadened their outlook, and upgraded their understanding, and the quality of the ranks of cadres has been upgraded. Second, the economy of the province has been turned from a closed one into an open one, and the province has geared the development of commodity production to the needs of the markets at home and abroad. The province has established economic and technological cooperation and trade relations with more than 130 countries and regions in the world. Eleven joint ventures between the province and foreign countries were established in foreign countries. Third, the technological progress among the enterprises has been promoted, and the technological transformation and the enterprise management have been improved. The province has imported more than 1,400 kinds of advanced foreign technologies.

More than 700 enterprises in the province have imported advanced foreign technologies and equipment. More than 380 key enterprises have been transformed, and more than 400 production lines and some 20,000 complete sets of equipment and key equipment have been upgraded. Such trades as machinery, textiles, garments, food, and electrical equipment for family use have, initially, taken on [a] new look. Fourth, the capacity for creating foreign exchange has been constantly upgraded with the ceaseless expansion of the export markets. The province, taking the three comprehensive export bases of Dalian, Hingkou, and Dandong as a basis, has established thousands of enterprises engaged in the production of export goods, and manufactured many competitive export goods.

Last year, the province earned $1.7 billion in foreign exchange through exporting provincial-made products.

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CSO: 4006/653

NINGXIA SEEKS TRADE, INVESTMENT FROM ARAB COUNTRIES

OW081137 Beijing XINHUA Domestic Service in Chinese 0107 GMT 7 Jan 86

[By reporter Shi Haibo]

[Text] Yinchuan, 7 Jan (XINHUA)--The Ningxia Hui Autonomous Region is bringing about gratifying changes in its industry by opening itself to Arab countries and introducing and absorbing investment and advanced technology from abroad.

Ningxia, an area mainly inhabited by people of Hui Nationality, historically had friendly contacts with many Muslim countries and regions. Taking advantage of this historical condition, the autonomous region is vigorously developing trade with Arab countries. Since Ningxia opened its doors to the world, many foreign businessmen have come here on visits or ot hold business talks. So far, the region has received more than 300 visitors from over 10 countries and regions, absorbed foreign investments of U.S.$70 million, and imported advanced technology and equipment from abroad. It has signed more than 50 contracts with foreign businessmen, totaling more than U.S. $28.3 million.

Ningxia has invigorated its economy by opening itself to the outside world. The Wuzhong City Woven Plastic Bags Plant has taken on a new look, and has more than doubled its output value by importing a production line from abroad. The plant's products are now selling well on the domestic and foreign markets. The Wuzhong Instrument and Meter Plant imported self-regulating valve technology from abroad to fill the gap in this regard. The State Economic Commission presented the plant with an award for improving itself by importing technology from abroad.

Ningxia had long been closed to the outside world. By changing this situation, the region has daily increased its economic and cultural contacts with foreign countries. Since last year, the regional party committee and government have sent a number of delegations to foreign countries. A Ningxia Muslim goodwill delegation, led by Hei Boli, chairman of the regional government, visited five Arab countries in the Middle East last April and May. A meeting on Muslim international economic and technological cooperation was held last September, further expanding Ningxia's friendship and cooperation with various countries.

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CSO: 4006/652

FOREIGN TRADE AND INVESTMENT

QINGHAI MAKES RAPID PROGRESS IN FOREIGN TRADE

HK241055 Xining Qinghai Provincial Service in Mandarin 2330 GMT 20 Jan 86

[Text] During the Sixth 5-Year Plan period, the province made rapid progress in foreign trade. All exports were handled by the province itself and the foreign exchange income from exports increased year by year. With more and more business talks and trade contacts, the province has started using foreign funds and bringing in advanced technology.

The province is [words indistinct] and some localities in the province started doing export business in 1980. Guided by the policy of opening up to the outside world and enlivening the domestic economy, the province has rapidly developed foreign economic and trade relations. The total import and export volume of the province over the past 5 years amounted to some $115.71 million. Except for rapeseed oil and some mechanical equipment, the export of all other goods was handled by the province itself. With the development of the import and export business handled by the province itself, the province has expanded foreign economic and trade relations and cooperation. In 1985, 12 organizations and groups in the province made business trips to 11 countries and regions, including Japan, the United States, and Britain, to make business inspections and promote sales. The province now has economic and trade relations with more than 300 companies in 43 countries and regions. It has also dispatched business representatives to Japan and Hong Kong and established overseas offices for the first time.

Over the past few years the province has gradually expanded its foreign economic relations. Of the 93 projects in the province involving use of foreign funds or introduction of advanced foreign technology, some have been started and others have yielded economic results.

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CSO: 4006/652

TIANJIN REPORT ON 1985 FOREIGN ECONOMIC DEVELOPMENT

SK310233 Tianjin City Service in Mandarin 003Q GMT 30 Jan 86

[Text] At a press conference on the morning of 29 January, a spokesman for the municipal Commission for Foreign Economic Relations and Trade, and the Office for Foreign Affairs under the municipal government gave a comprehensive report on the municipality's 1985 situation in developing foreign economic ties and establishing foreign relations.

The spokesman said: Along with the further expansion of its contacts with foreign countries, the municipality has made notable progress in developing import and export trade, using foreign capital, bringing in advanced technology from abroad, and developing tourist trade. Last year, the municipality had overfulfilled the export plan, including the target for the procurement of the commodities for export. The municipality had exported commodities worth $1,156,09 [number as received] million, overfulfilling the annual export plan by 11.72 percent. With regard to developing items newly added by using foreign capital, the municipality hit an all-time high in 1985, a 164-percent increase over the total in the past 5 years. Last year, the municipality had invested $255.79 million in developing joint ventures with 13 countries and regions. Last year, 41 Chinese-foreign joint ventures opened business, a 290-percent increase over the total in the past 4 years. Along with this, the municipality also successively established six production-oriented joint ventures in various countries, including Pakistan, Venezuela, Canada, and the Yemen Arab Republic. New ways for conducting external economic cooperation have been opened up.

The municipality had made further development in tourist trade last year. During the Sixth 5-Year Plan period, more than 186,000 foreign tourists had visited the municipality, and the number of foreign visitors annually averaged 37,000 persons. The number of foreign visitors increased last year. The municipality received 42,900 foreign visitors in 1985 and earned $4.2 million for the state.

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BRIEFS

GANSU ECONOMIC COOPERATION--In 1985 the province carried out various economic and technological cooperation, and scored marked economic results and social benefit. In 1985, the province signed 208 economic cooperation contracts with Jiangsu, Liaoning, Guangxi, the China State Shipbuilding Corporation, and other provinces, municipalities, autonomous regions, and central departments. It brought in some 270 million yuan of external funds, 464 technological items, and some 2,500 technological personnel. The total amount involved in goods cooperation reached some 140 million yuan. The province has now established long-term and stable economic relations with 29 provinces, municipalities, autonomous regions, and central departments, greatly stimulating urban reform and the boom of the urban and rural economy in the province. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 22 Jan 86 HK] /8918

HEILONGJIANG FOREIGN CAPITAL--Last year Heilongjiang Province scored gratifying achievements in utilizing foreign capital. According to statistics, last year our province approved the construction of 48 projects to be built with foreign capital. Contracts for these projects involved $78.85 million. Of this sum, $52.85 million had already been imported. Such foreign capital was mainly invested in the dairy industry and on the production of flax, grain, oil, meat and wooden products. After the completion and with the operation of all these projects, our province will create 400 million yuan more in output value, earn 80 million yuan more in profits, and earn $30 million more in foreign exchange annually. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 19 Jan 86 SK] /8918

JILIN EXTERNAL ECONOMY--Over the past 5 years, Jilin Province has exchanged technologies and held trade talks with more than 300 foreign firms in 28 foreign countries and regions, has imported 286 technologies and installations from foreign countries, has utilized foreign capital to develop 58 projects, has built 21 joint venture enterprises in cooperation with foreign countries, and has undertaken 32 projects in foreign countries by exporting our labor services. [Summary] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 12 Jan 86 SK] /8918

GUANGDONG CONCLUDES COMMODITY FAIR--The 5-day provincial commodity fair was concluded yesterday afternnon at Guangdong commodity exhibition service centre. The fair was attended by over 8,000 representatives, including more than 1,700 representatives from other provinces. Over 14,000 commodity items were exhibited. The accumulative turnover volume of the fair for the past 5 days totaled more than 300 million yuan. More than 3,000 projects were signed at the fair. The fair sold a large number of refrigerators, radio/cassette recorders, television sets, xerox machines, air-conditioners, projectors, calculators and other small commodities. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 13 Jan 86 HK] /8918

HUNAN IMPORTS FOREIGN TECHNOLOGY--In 1985, the provincial committee for foreign economic relations and trade actively used foreign capital to establish and run joint ventures and cooperative enterprises. By the end of last year, the province had established 58 projects with foreign capital, of which 65 percent can produce products for export. After integrating the use of foreign exchange with earning foreign exchange, the province increased the number of projects that can directly earn foreign exchange by 12.5 percent. On technological imports, the province focused mainly on software technology. Of the 58 projects, the proportion of software technology projects was 20 percent more than the previous year. [Summary] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 14 Jan 86 HK] /8918

TIANJIN EXPORT VOLUME--According to the latest statistical figures released by the Tianjin Foreign Trade Bureau, Tianjin Harbor exported a total of $1.156 billion of goods in 1985, overfulfilling the annual export target by 11 percent. [Text] [Tianjin City Service in Mandarin 0030 GMT 7 Jan 86 SK] /8918

HUBEI FOREIGN TRADE--During the Sixth 5-Year Plan period, the province achieved good results in developing foreign economic relations and trade. During the 5 years, the province signed a total of 165 contracts in foreign trade, and concluded transactions worth $400 million. The average annual growth rate of the province's exports was 65.2 percent, higher than the national average during the same period and higher than the average annual growth rates of the province's industrial and agricultural production during the same period. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 24 Jan 86 HK] /8918

PLANNING FOREIGN TRADE CONFERENCE--The provincial conference on foreign trade planning, which ended on 25 January, pointed out that all foreign trade departments in the province must firmly establish the idea that developing foreign trade to earn foreign exchange is paramount. They must give full play to the province's superiority in natural resources, and expand exports, so that more of the province's goods can enter the international market and the province can earn more foreign exchange for the state. The foreign trade target set by the state for the province this year is $33.36 million, an increase of 8.4 percent over 1985. At the conference, the provincial Foreign Trade and Economic Relations Committee pointed out that while ensuring fulfillment of the state target, the province must do its utmost to export $80 million of goods, to ensure fulfillment and overfulfillment of this year's foreign trade target. During the Seventh 5-Year Plan period, the province will build five export bases and enterprises, and a number of agricultural and sideline products bases; continue to properly run various combinations; promote integration of trade with industry, agriculture and [words indistinct]; adopt policies and measures to encourage export; take specific steps on the proportion of foreign exchange retained by production supplying enterprises; and improve packing and transport in foreign trade so as to earn as much foreign exchange as possible. [Text] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 25 Jan 86 HK] /8918

YUNNAN MACHINERY EXPORTS--Kunming, 20 Jan (XINHUA)--The machinery industry of Yunnan Province has worked hard to develop high-quality new products and to expand international markets. Machinery and electrical products exported by the province increased from 2 types in 1979 to 40 types at present, with foreign exchange earned increasing from $100,000 to more than $4 million. [Summary] [Beijing XINHUA Domestic Service in Chinese 0214 GMT 20 Jan 86 OW] /8918

BEIJING'S INCREASED EXPORTS--In 1985 Beijing foreign trade units overfulfilled the state-assigned annual export plan by 5 percent. The total export volume reached $620 million. The exports of clothing broke the record of $100 million for 2 years in a row. Since August 1985, the monthly export volume has exceeded $10 million. [Summary] [Beijing City Service in Mandarin 1000 GMT 9 Jan 86 SK] /8918

BEIJING FOREIGN EXCHANGE EARNINGS--By the end of December last year, Beijing Municipality had earned some $620 million through exports, overfulfilling the annual quota by 5 percent. [Excerpt] [Beijing BEIJING RIBAO in Chinese 8 Jan 86 p 1 SK] /8918

HUBEI FOREIGN TRADE--Hebei Province vigorously develop foreign economic relations and trade during the Sixth 5-Year Plan period. The total purchase of export commodities in the past 5 years was valued at 9.31 billion yuan, an increase of 1.1 times over the Fifth 5-Year Plan period. Some $4.42 billion in foreign exchange was created through exports, an increase of 1.65 times over the Fifth 5-Year Plan period and prefulfilling the Sixth 5-Year Plan target ahead of schedule. As of the end of November 1985, this province had earned some $1.19 billion in foreign exchange through exports, an increase of 74.85 percent over the same period of 1984. From 1979 to 1985 the province used some $21 million in foreign funds to import technology. So far, this province has 44 joint ventures, 7 cooperative business units, and more than 50 categories of cooperative items with foreign firms. [Summary] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 18 Dec 85 SK] /8918

SHANDONG COTTON EXPORTS--As of 20 December 1985, Shandong Province had exported 1.63 million dan of cotton, earning some $120 million in foreign exchange for the state and overfulfilling the state-assigned export plan ahead of schedule. The total cotton export volume and the amount of foreign exchange earned during the year doubled over that of 1984. [Summary] [Jinan DAZHONG RIBAO in Chinese 23 Dec 85 p 1 SK] /8918

SPECIAL ECONOMIC ZONES

GUANGDONG OFFICIAL ON 'OUTWARD ORIENTATION' OF SHENZHEN

HK310448 Beijing ZHONGGUO WINWEN SHE in Chinese 1504 GMT 30 Jan 86

[Report: "Ding Lisong Says That the Development of Special Economic Zones Should be 'Outwardly Oriented'"--ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 30 January (ZHONGGUO XINWEN SHE)--Ding Lisong, deputy secretary general of the Guangdong Provincial Government and director of the Guangdong Provincial Special Economic Zone Management Commission, today said in an interview that the proposition that the development of special economic zones should be "outwardly oriented" is correct and is in line with the actual situation in the special economic zones.

Ding Lisong said: When establishing the special economic zones, the authorities concerned clearly specified the principles that the special economic zones should mainly use foreign funds, mainly develop manufacturing industry, and sell their products mainly to overseas markets. The proposition of the "outwardly-oriented economic development" just more clearly highlights the spirit of the "three mainlies" principle, and it does not mean any change of policies. Ding Lisong said that the formula of an "outwardly-oriented" economic pattern is in line with Deng Xiaoping's idea about making the special economic zones function as a technological, management, and knowledge "window" and a "window" for showing our foreign policy.

Ding Lisong said: The proposition of building an "open economic pattern" in special economic zones does not accurately reflect the characteristics of the special economic zones, because this is also suited to all parts of the country, as the whole country will be opened up to the outside world and will strengthen horizontal economic ties. Therefore, the "outwardly-oriented" pattern can more accurately reflect the special characteristics of the special economic zones than the "open" pattern.

Ding Lisong pointed out that the worry about a policy change is uncalled for. He said that Guangdong will increase the use of foreign funds and expand international economic cooperation and trade. This key policy will not change.

Ding Lisong said: Painstaking efforts must be made in order to develop an "outwardly-oriented" economic structure in the special economic zones. In recent years, the special economic zones have laid a good foundation for creating a fine investment environment by building such infrastructural facilities as water and electricity supply, roads, and communications. However, the legislation, work efficiency, and personnel quality have to be improved, and it takes time to resolve these issues. Further reform is also necessary. In addition, it has been merely five years since China established the special economic zones. We have not fully understood the regularity of the changes in the international economic situation, have not unclogged all necessary channels, and have not gained quick access to information. These shortcomings have also caused difficulties to the development of an "outwardly-oriented" economic structure there.

Ding Lisong said: The special economic zones are a component part of the country and must be subject to the overall interests of the country. When the state strengthens macroeconomic management in the whole country, it will give preferential treatment to the special economic zones as it is able. In 1986, some control will be exerted over the scale of capital construction in the special economic zones, but the state will continue to support them in many fields. For example, the authority to approve the use of foreign funds will remain in the hands of the special economic zones, but in order to prevent the import of the same projects through different channels, some items will have to be reported to the higher authorities in advance and after the transactions for the record. In monetary management, the banks will further play a regulatory role. In the field of foreign trade, the relevant departments of the State Council and the provincial government will set up some commissioner's offices to issue export licenses in the special economic zones so as to simplify the export procedures and to make things more convenient for the special economic zones. In addition, more flexible measures will also be adopted in the field of foreign exchange management. As far as the sale of the products of the enterprises with foreign capital to domestic markets is concerned, Ding Lisong said that the state is drawing up some concrete policies and regulations for this matter. An appropriate percentage of high technology products that domestic units need to import from abroad will be allowed to be sold on China's domestic markets.

Ding Lisong said: The situation in the special economic zones in the coming year will remain strict. However, the present situation shows that foreign companies' interest in investment in the special economic zones is not lower than before. Shenzhen and Zhuhai have recently received many businessmen from Europe, America, and Southeast Asia who are interested in investing in the special economic zones. Ding Lisong said that he believed that through a readjustment period, the special economic zones will advance in great strides along the course of developing an "outwardly-oriented" economy.

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SPECIAL ECONOMIC ZONES

BRIEFS

SHENZHEN REVENUE--Shanzhen city overfulfilled the annual revenue target for 1985 by 265 million yuan. The city's total revenue increased by 72 percent over 1984, hitting an all-time high. The city's total industrial output value for 1985 was 2.5 billion yuan and its total retail sales volume for 1985 was 2.3 billion yuan, an increase of 48.8 and 12.4 percent respectively over 1984. The city's gross agricultural output value for 1985 increased by 9.8 percent over 1984. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 9 Jan 86 HK] /12913

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TRANSPORTATION

METHODS FOR EASING RAILROAD TRANSPORTATION SHORTAGE STUDIED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 23 Oct 85 p 3

[Article by Liu Yongya [0491 3938 0068]: "Ministry of Railways Takes Action To Ease Railroad Transportation Shortage; Combination of New Construction and Tapping of Potential, Primarily Tapping Potential; Readjustment of Freight Transportation Station Pattern and Use of Large Horsepower Diesel Engines Planned"]

[Text] Right now there is an overall shortage of rail passenger and freight transportation, as capacity is able to satisfy only 70 percent of needs. What can be done to ease this shortage of railroad transportation? The solution lies in a combination of new construction and the tapping of potential, the tapping of potential being paramount over the short term.

Railroads hold a dominant position in China's transportation; they carry more than one-half the country's freight and one-fourth of its passengers. In recent years, railroad transportation has grown at a speed of 5 percent per year. From January through August 1985, the railroads carried 780 million passengers and 850,000 tons of freight, 5.4- and 5.1-percent increases over the same period during 1984. In 1985, the converted turnover volume for all lines will break the 1 trillion mark for the first time. Even so, it remains unable to keep up with needs of national economic and social development. At the present time, railroads are only able to fulfill 70 percent of the objectively needed volume of transportation, and both passenger and freight transportation are in short supply everywhere. Large quantities of freight have accumulated awaiting transportation. During the first half of 1985, in Shanxi Province alone, 30 million tons of coal accumulated. Passenger cars on major trunk lines are seriously overcrowded all year round, the overcrowding rate reaching 50 to 80 percent. Approximately 100 million-odd passengers are carried in overcrowded conditions.

The main reason for such a shortage of railroad transportation has been failure of railroad construction to keep up with development of the national economy. Railroad transportation facilities are old and outmoded and in serious disrepair; there is a shortage of both locomotives and cars, and quite a few steam locomotives that have been used for 40 years or more are still in operation.

What can be done to ease the shortage of railroad transportation? Basically, the pace of railroad construction has to be hastened to catch up gradually with the speed of national economic development.

According to Ministry of Railways Deputy Minister Shi Xiyu [4258 1585 3769], during the Seventh 5-Year Plan the Ministry of Railways will improve primarily the Tianjin-Pukou, Guiyang-Kunming and Guizhou-Guangxi lines and build the new Da-Qin and Hou-Yue lines, giving emphasis to the building of lines to transport coal from Shanxi, north-south trunk lines, lines leading to seaports, and lines between major areas. The locomotive and railroad car industry is also to be beefed up, manufacturing capacity expanded and a suitable number of locomotives and railway cars imported.

A popular aphorism says that "distant water cannot slake nearby thirst." During the Seventh 5-Year Plan, it will not be until toward the end of the plan period that most of the newly built projects will be translated into real transportation capacity. Except for the Xin-He and Yan-Shi lines, which will begin provisional operation in 1986, no other production projects will begin operating, and there will continue to be a severe shortage of railroad transportation for the next 3 years. Consequently, One way of easing the shortage quickly and effectively is to tap railroad potential from within.

In recent years the Ministry of Railways has taken various actions to tap potential that have been remarkably effective. During the past 3 years, the Ministry of Railways has taken to using two or three locomotives to pull trains in difficult areas so as to be able to increase the amount of weight hauled by freight cars and carry more freight. In 1986, it also began to operate 7,400-ton trains to haul coal out of Shanxi Province on the critical Fengtai-Shahe line, increasing the amount of coal hauled from Shanxi by 2 million tons in 6 months.

The shortage of locomotives and cars is a factor limiting growth in railroad hauling capacity. In order to speed up the turnaround of locomotives and railroad cars, the Ministry of Railways has actively organized through trains, readjusted train inspection patterns, reduced the number of train inspections, and instituted a rotating system for diesel and electric locomotives on long routes. This system alone was able to save 150 locomotives each day. In view of the every increasing shortage of passenger transportation, in 1982 the Ministry of Railways revised the passenger car classification structure, expanding the marshalling of 173 special and express passenger cars, thereby increasing by 289 the total number of cars hooked up. It also got rid of 74 dining cars, sleeping cars, and baggage cars on all lines, correspondingly increasing by 40 the number of passenger cars, thereby expanding daily passenger capacity by 110,000. The benefits gained through several years of practice impelled the Ministry of Railways to bear down from top to bottom on understanding the importance of tapping potential. Recently, leaders in both the CPC Central Committee and the State Council affirmed the correctness of the Ministry of Railways having taken the route of tapping potential.

Not long ago, Shi Xiyu disclosed that the Ministry of Railways had decided to place the task of tapping potential in an important position. Before the end of 1985 as well as during 1986 and 1987, the ministry intended to continue from the foundation of the previous period to tap potential from within, to further reform transportation methods and bolster management, to enforce a system of strict rewards and punishments, and to do everything possible to use prevailing conditions to improve transportation capacity.

Ministry of Railways plans call for the operation of combined trains over the Shanhaiguan-Shenyang and the Shijiazhuang-Jinan lines in order to increase capabilities to haul coal from Shanxi Province. It will readjust the pattern of freight stations, doing everything possible to reduce the number of stations engaged in shipping odds and ends of freight and increasing the number of direct trains. It will apportion shipments to new lines to ease the pressure on trunklines. On major trunklines, passenger cars will be made up to form trains of between 17 to 20 cars, or as many as 25 cars in some cases. On certain lines such as the Tianjin-Pukou line, the ND 5 high horsepower diesel engines imported from the United States will be used to permit an increase in train weights from 3,500 tons to 4,000 tons. Two hundred of these locomotives have already been imported, and another 200 will arrive in 1986.

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CSO: 4006/456

TRANSPORTATION

STATUS REPORT ON URUMQI-SHIHEZI RAIL LINE CONSTRUCTION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 11 Nov 85 p 3

[Article: "Northern Xinjiang Railway Makes Rapid Progress While Maintaining Quality Control and Output; Soldiers Make Concerted Effort To Secure Early Completion"]

[Text] ZHONGGUO XIBU KAIFABAO [WESTERN CHINA DEVELOPMENT NEWS] reports that work has gone smoothly ever since athe beginning of all-out construction on 1 May 1985 of the Urumqi-Shihezi section of the attention arresting northern Xinjiang railroad line, and construction is currently at a high pitch. At the bustling work site, the correspondent saw the huge booms of excavating machines moving against the sky, dump trucks jolting along and bulldozers roaring as they raised "ridge after ridge" of earth. Everywhere one could see the slogan, "Race against time and hurry up to guarantee 'November' track laying." As of mid-August, most roadbeds had been basically shaped and 46.8 percent of the roadbed had been completed. Work had started on eight large and medium size bridges and on 230 of the 372 bridges and culverts to be built along the whole line, thereby laying a good foundation for construction of the whole line.

A certain PLA unit engaged in the construction has a glorious tradition. As soon as the order was issued to assist in construction of the northern Xinjiang railroad, more than 130 vehicles set out in force for the worksite, 15 companies moving along in a row to fire the first shot in construction of the northern Xinjiang railroad. They set strict standards everywhere, winning three firsts within several months as follows: First to enter the site; first to begin work, and first rate construction quality.

The Xinjiang production and construction corps that had built the southern Xinjiang railroad was the main force in building the northern Xinjiang railroad and was responsible for building 80 percent of the roadbed, bridges and culverts between Urumqi and Shihezi. Not only was there much construction to be done and the work schedule tight, but quality requirements were strict and techniques fairly complex. They exercised strict controls and devoted attention to quality. All projects that have been completed to date meet standards.

At the busy worksite, many moving deeds are on the lips of all. The large Changji He Bridge on the northern Xinjiang railroad is a 56-meter prestressed concrete tied arch bridge that was constructed in 1959. To economize, this bridge was originally intended to be a railroad bridge, but since the bridge had been constructed more than 20 years earlier, the question was whether it could carry the weight. The company sent a special dispatch asking for help from the Chinese Railroad Scientific Research Academy. The institute dispatched bridge experts very quickly, ranking engineer Wu Liangming [0702 0081 2494] and assistant research Tang Shiming [0781 6108 2494]. On 27 August, just when the local people celebrate the Corban festival, not caring to take time off, they carried their own baggage through the scorching summer weather to get to the worksite. They climbed all over the bridge, busying themselves for 2 whole days in going over the bridge with a fine-toothed comb to gather a large amount of technical data and complete their mission.

Recently, leading comrades including Autonomous Region Deputy Chairman Huang Baozhang [7806 1405 3864] and the deputy corp commander, Zeng Jifu [2582 4949 1381], inspected the progress of construction on the Urumqi-Shihezi section. They praised highly the broad masses of cadres, workers, project technicians, and PLA soldiers who had participated in the construction saying that with such a superb construction corps, the northern Xinjiang railroad would certainly be built according to predetermined plans.

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CSO: 4006/456

FUJIAN OPENS MORE FOREIGN TRADE SHIPPING LINES

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 15 Nov 85 p 3

[Article: Newly Added Transportation Capacity in Fujian Greater Than Sum Total for Previous 30 Years; Open Door Policy Brings Life to Marine Transportation"]

[Text] Fujian Province's marine transportation has developed rapidly. During 1985, new shipping routes were opened to 11 ports, among them Amagasaki, Ogishima and Wakayama in Japan, and Hainan. The company presently has 48 oceangoing passenger and cargo ships, and its shipping routes extend to 41 ports in 8 countries and regions including Japan, Singapore, Sri Lanka, Malaysia, the Philippines, Thailand, Hong Kong and Macao. Shipping capacity added during the past 7 years is greater than the sum total for the previous 30 years.

Fujian has a long coastline stretching for more than 3,500 kilometers, making it the second longest in the country. It faces Taiwan, is close to Hong Kong and Macao, and is not far from Southeast Asia. It has many naturally fine harbors, six of which could be developed as deep water ports to provide outstanding marine transportation conditions. Nevertheless, for a long time Fujian's marine transportation has been closed off. Since Fujian's adoption in 1979 of special policies and flexible measures, however, marine activity has been revitalized. With the easing of the situation in the Taiwan Straits, north-south navigation was resumed there in 1979. As a result, Fujian's abundant coastal resources were developed and used. After several years' work, coastal ports have seen initial development. Fuzhou port has built two 10,000-ton deep water anchorages, and Xiamen port has built four anchorages for ships over 10,000 tons. In 1985, Xiamen's volume of cargo handled reached 110 million tons. Meizhou port is now in the process of carrying out construction in accordance with multi-function, overall, large-scale port plans. The 24 counties and cities along the coast of the province have built 175 large and small anchorages, 6 of which are for 10,000-ton ships and 11 of which can accommodate 1,000-ton ships. Fuzhou, Quanzhou and Xiamen ports have opened to the outside world. In addition, 14 small harbors in southern and eastern Fujian have become points of origin for shipping.

Reportedly, during the Seventh 5-Year Plan Fujian Province plans to build 39 new anchorages, which will increase transportation capacity fourfold over its present level.

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TRANSPORTATION

SHANDONG DAILY ON ROLE OF YAN-SHI RAILWAY, SHIJIU HARBOR

SK240435 Jinan DAZHONG RIBAO in Chinese 31 Dec 85 p 1

[Excerpt] During the implementation period of the Sixth 5-Year Plan, the state has successfully completed the building of key projects in our province, including the railway between Yanzhou City and Shijiu Harbor and the first-phase construction of Shijiu Harbor, under the guidance of the principle of concentrating on ensuring the construction of key projects and through the common and arduous efforts of more than 38,000 technicians and workers and the broad masses of residents along the railway for 3 and 1/2 years. On 31 December, the stage gave a formal acceptance test to the railway and put it into operation, and the Ministry of Communications also gave a preliminary acceptance test to the Shijiu Harbor which was also put into the network with the new railway on the same day.

The key projects of Yan-Shi railway and Shijiu Harbor were designed and built by ourselves through Japanese loans. The first-phase construction of the harbor project comprises two 10-ton-class berths whose annual coal export volume will be 15 million tons. The railway, which goes eastward through Gufu County, hometown of Confucius, the Yimeng mountainous areas, and the old revolutionary bases, a total of nine counties and cities, is 307.87 km long from Yanzhou City, the coal base, in the west to Shijiu Harbor of Rizhao Coastal City in the east. The investment in the two projects totaled 1.7 billion yuan. The simultaneous dedication of the two projects has set up the "network" between coal production and railway and harbor transport in southern Shandong, which not only has expanded the export outlets of coal turned out by Yanzhou City and the collieries in southern Shanxi and promoted economic development in Shandong, but also has achieved westward development directly to Xian City, Shaanxi Province, through Heze City, Xinxiang and Jiaozuo cities of Henan Province, and Houma City of Shanxi Province, by connecting itself with the western section of the Long-Hai Railway. The "network" has also formed a large transport artery from the east to the west in the country, by linking the four main railway lines throughout the country, including Jin-Pu, Jing-Guang, Jiao-Zhi, and Tong-Pu. It has also paved a new export outlet for the eight northwestern provinces and autonomous region, including Xinjiang, Qinghai, Shanxi, and Henan. This transport and production "network" has an important and strategic significance which can enable our province to enhance its lateral economic cooperation and technical coordination with the inland provinces, to expand its exports and foreign trade, to build its coastal economic windows, and to develop its technical and economic exchanges and cooperation with foreign countries.

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TRANSPORTATION

NEI MONGGOL CHAIRMAN DISCUSSES TRANSPORTATION

SK270403 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 25 Jan 86

[Text] In his report [to the regional meeting of banner and county CPC Committee secretaries], Comrade Bu He pointed out that communication and transportation are one of the keys to developing Nei Monggol's economy.

He said: In the entire Seventh 5-Year Plan period and the 5 years beyond we should regard them as strategic task and grasp them firmly. We should adhere to the principle of pooling the efforts of the state, the collective, and the individual, and fully arouse the initiative of all quarters in developing communication and transportation.

Comrade Bu He said: The (Jining-Tongliao) Railway, which has an important strategic significance in the economic construction of Nei Monggol and the entire north, northeast, and northwest China, has been officially approved by the State Council and listed in the plan. We should strive to start its construction as early as possible. All departments and localities concerned should make a success of this work. We should step up the early state preparations for the (Baotou-Dongsheng) Railway, and strive to start its construction within this year. With regard to the [words indistinct] railway, we should mainly study its feasibility this year. Construction of the major highways decided on by the regional CPC Committee and government should be expedited. In the meantime, we should rely on and mobilize the masses to build some simple roads in the rural land pastoral areas, and persistently make those who build the roads gain benefits from them. We should further strengthen leadership over communication and transportation, and in particular give meticulous guidance and organize forces to build the major lines in a scientific way, and strive to make the construction period shorter, and the construction quality and economic results better.

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CSO: 4006/651

TAIWAN AUTOMAKERS URGED TO MEET TOYOTA CHALLENGE

OW170247 Taipei CNA in English 0232 GMT 17 Jan 86

[Text] Taipei, Jan 16 (CNA)--The Ministry of Economic Affairs has called on domestic auto manufacturers not to worry too much about Toyota Motor Company's investment in the Republic of China, saying that challenges from Toyota are necessary to the upgrading of the nation's auto industry.

Many domestic auto makers have begun worrying about their survival since the government approved in principle Toyota's investment. Under the revised auto industry development project, Toyota is allowed to keep a large portion of its production for domestic sales, thus sharpening the competition in the limited market here, which is already shared by six auto manufacturers.

Wu Hui-jan, director of the ministry's Industrial Development Bureau, said Thursday domestic auto makers should have the ambition to put their products on the international market and to compete with foreign auto makers.

"The domestic market is too small to sustain the survival of six auto manufacturers even without the pressure of imported cars," Wu said.

The government has decided to liberalize and internationalize the nation's auto industry, Wu said. "Investment by Toyota, or any other foreign auto company, will inevitably have a certain impact on the market share of domestic auto makers, especially in the beginning stage. But on the other hand, they will also bring in modern management and production technologies, thus helping upgrade the nation's auto industry," he said.

Wu also cited the investment by Singer Sewing Machine Co. from the United States as an example to support his call. Many years ago, almost all sewing machine manufacturers here opposed the investment, but because of it, the nation now has become the largest supplier of sewing machines and spare parts in the world, he said.

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CSO: 4020/189

EAST EUROPEANS APPLYING FOR PATENT RIGHTS

OW200433 Taipei CNA in English 0236 GMT 20 Jan 86

[Text] Taipei, Jan 18 (CNA)--An increasing number of East European nationals have applied for patent rights with the ROC [Republic of China] government since the nation lifted a ban on trade with the east bloc countries in 1979, an Economic Ministry official reported Saturday.

Chou Chi-hsiang, director general of the National Bureau of Standards, said that his bureau has processed 57 patent rights applications from East Europeans in the past three years, mostly Hungarians, Czechoslovaks and Yugoslavs. The products ranged from chemicals, medicine, electronic and electric appliances, measuring instruments to sporting goods and toys.

According to statistics, the bureau handled 30 patent rights applications by East Europeans last year. All of them came from Hungary. Of the cases, 11 were approved.

In 1984, one Czechoslovak and 17 Hungarians filed the applications, of which nine cases were approved. In 1983, two cases were lodged by Yugoslavs, one by Czechoslovaks, and six by Hungarians. Among them, five applications were ratified.

Chou revealed that a Soviet national applied for patent rights with the Standard Bureau through his agent here last year. The bureau declined to accept the application after discussions with government agencies concerned, he said.

According to existing regulations, Chou said, the government can reject applications filed by those foreigners whose governments have not given protection to patent rights applied by ROC nationals.

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CSO: 4020/189

OFFICIAL REVEALS FOREIGN TRADE REVIVAL

OW181225 Taipei CNA in English 0940 GMT 18 Jan 86

[Text] Taipei, Jan 18 (CNA)--Both exports and imports of the Republic of China during the first two weeks in January increased significantly as compared with the same period of last year, and this is a sign of the recovery of the nation's economy, a Finance Ministry official said Friday.

The official, who preferred anonymity, said according to customs statistics, the exports in the second week of January showed an increase of 17.97 percent over the same period of last year while imports were up 14.97 percent.

In the first two weeks of January which ended on Jan 11, the exports grew by 13.47 percent to U.S. dollars 988 million while imports amounted to U.S. dollars 631 million, up 2.53 percent, leaving a trade surplus of some U.S. dollars 357 million, he said.

The official said the recent devaluation of the U.S. dollar and appreciation of major European currencies will help enhance the competitiveness of the nation's products on the world market. A series of measures taken by the European Economic Community to boost its economy is also expected to push the demand for products from this nation, he added.

The official, therefore, predicted that the growth for the nation's exports will probably reach six percent in 1986.

In the meantime, imports are expected to soar by seven to nine percent due to the Government's decisions to cut import tariffs, reduce income tax rates and accelerate the pace in the construction of the 14 major projects, he said.

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CSO: 4020/189

TAIWAN

ECONOMICS MINISTRY ENCOURAGES INVESTMENT ABROAD

OW200451 Taipei CNA in English 0244 GMT 20 Jan 86

[Text] Taipei, Jan 19 (CNA)--The Ministry of Economic Affairs [MOEA] has decided to encourage the nation's enterprisers to invest abroad to attenuate the impact of international protectionism on the nation's traditional manpower intensive industries, and to put an ice pack on the nation's swelling foreign exchange reserves.

The MOEA said Sunday that it is time to expand the nation's overseas investment policy by adding Southeast Asian, South African, and South American countries along with the originally planned Central American and Caribbean areas.

In the aggregate, the nation's total foreign exchange holdings have bloated to U.S. dollars 22.2 billion.

The main features of the new MOEA measures include assisting hopeful investors to organize two-nation joint ventures and multi-national companies with their parent companies stationed in the Taiwan area. The measures will encourage such companies to seek financial support from foreign banks, and will provide subsidies of sales promotion campaigns and the setting up of new plants in Latin America in the initial stages.

In solving the problems of high interest rates in some of the Central American countries, the ministry will assist would-be enterprisers to seek for loans from those foreign banks operating branches in both this country and Central American countries.

The MOEA will also provide prospective investors with air tickets to investigate the investment environments in the Central American and Caribbean countries.

Furthermore, the MOEA will also organize two large-scale trade missions to those regions to change the existing pattern of doing business alone into a group investment approach so as to reduce risks.

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CSO: 4020/189

CNA ON TAIWAN'S IMPORT, EXPORT FIGURES FOR 1985

OW090515 Taipei CNA in English 0335 GMT 9 Jan 86

[Text] Taipei, Jan 8 (CNA)--The Republic of China's two-way trade amounted to over US dollars 50.8 billion in 1985, showing a negative growth of three percent in comparison with that recorded in 1986 [as received] according to the Directorate General of Budget, Accounting and Statistics Wednesday.

Of the total, exports stood at over US dollars 30.7 billion, representing a slight growth of 0.09 percent over that of 1984 while imports totaled US dollars 20.1 billion, down 8.4 percent from 1984's level, DGBAS said. The ROC enjoyed a record high of trade surplus of over US dollars 10.6 in 1985, DGBAS added.

In December 1985 alone, this nation exported more than US dollars 4.1 billion worth of goods, an increase of 3.2 percent as compared with the same period in 1984, DGBAS said.

The United States remained the largest market for the ROC's exported goods by absorbing over 48 percent or nearly US dollars 14.8 billion worth of ROC-made products in 1985. Japan was the next by importing over US dollars 3.4 billion or more than 11 percent of the ROC-exported goods last year, followed by Hong Kong, purchasing US dollars 2.54 billion or 8.3 percent of the ROC exports, DGBAS said.

Japan was the largest supplier to this nation by selling the ROC more than US dollars 5.5 billion worth of goods or 27.6 percent of this nation's total imports in 1985, followed by the United States exporting US dollars 4.7 billion worth of goods have and accounting for 23.6 percent of the ROC's imports in 1985, and Saudi Arabia, supplying the ROC US dollars 1.36 billion or 6.8 percent of its imports, DGBAS said.

Exports of manufactured goods, such as electronic products, garments and gauze, shoes and toys amounted to US dollars 26.4 billion in 1985, up 0.8 percent, while exports of raw materials and fishery products stood at over US dollars 400 million, down 3 percent from last year.

Imports of crude oil and raw materials, which reached about US dollars 5.1 billion, took the lion's share of the ROC's total imports in 1985, representing a decrease of 12.5 percent from that in 1984, followed by manufactured goods such as electronics, chemicals, mechanical and metal products, amounting to nearly US dollars 12.3 billion, a fall of 8.1 percent from 1984's level DGBAS said.

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CSO: 4020/189

TAIWAN

BRIEFS

TAIWAN TO LOWER IMPORT TARIFF RATES--The Legislative Yuan yesterday passed the revision on tariff regulations to lower the nation's maximum import tariff rate from the current 75 percent to 67.5 percent. The legislation will be put into force pending President Chiang Ching-kuo's approval. The main points of the revision concern the lowering of the average nominal tariff rate in two categories from 26.46 percent to 22.83 percent and from 32.79 percent to 31.77 percent and the reduction of the effective tariff rate from 7.89 percent to 7.62 percent. Though the revision may lose the nation annual tariff revenues of NT$2.28 billion; it will help improve the nation's foreign trade. The legislation will revise tariffs on 933 categories of imports including the 118 items of American goods for which this nation has agreed to reduce tariffs at the Sino-American trade talks held in Washington D.C. in October last year. [Text] [Taipei CHINA POST in English 18 Jan 86 p 12 OW] /12712

COMMERCIAL BANK PARIS BRANCH--Paris, Jan 17 (CNA)--The International Commercial Bank of China [ICBC] has formally opened its door in Paris to serve the Chinese community and promote closer economic and financial ties between the Republic of China [ROC] and France. C.D. Wang, president of ICBC in Taipei, and his wife jointly held a reception at the Inter-Continental Hotel here to announce the opening of the bank's branch with the participation of some 600 guests from Chinese and French business and financial communities. This is the first branch of ICBC in Western Europe, which is aimed at further strengthening economic and business cooperation between the ROC and Western European countries. [Excerpt] [Taipei CNA in English 0306 GMT 18 Jan 86 OW] /12712

NARROWING U.S. TRADE IMBALANCE--Frederick Chien, Republic of China [ROC] representative to the Coordination Council for North American Affairs, said: The ROC should let American companies take part in its major development projects so as to help narrow the nation's huge trade surplus with the United States. He also suggested local businessmen make investments in the United States so as to gain access to modern technology and facilities to upgrade the nation's industrial structure while helping whittle down the favorable trade balance in ROC-U.S. trade. Speaking before the Foreign Affairs Committee of the Control Yuan, Chien said: Regulations and laws governing purchases abroad should be revised so that the ROC can buy more from the United States. He noted: Bilateral trade volume has tripled to over 20 billion U.S. dollars since the diplomatic rupture 7 years ago, indicating the substantial relations between the two countries can be improved in the absence of official ties.

Chien said: If the ROC implements its policy of economic internationalization and liberalization, big differences and problems in the nation's trade and economic relations with the United States can be resolved. [Text] [Taipei International Service in English 0200 GMT 9 Jan 86 OW] /12712

COUNTERMEASURES TO PROTECTIONISM--Taipei, Jan 14 (CNA)--The top official with the Coordination Council for North American Affairs' [CCNAA] Washington office has advised that the Ministry of Economic Affairs work out effective measures to cope with rising protectionism in the United States. Frederick Chien, representative of the CCNAA office in Washington, called on Vice Economics Minister Li Mo Tuesday and exchanged opinions with Li on ways to enhance economic relations with the U.S. During the interview, Chien told Li that the U.S. Congress is very likely to pass several trade protectionist bills this year to protect U.S. domestic industries from being further damaged by foreign competition. Chien also said several U.S. senators have already proposed to exclude South Korea, Hong Kong and the ROC [Republic of China] from the list of the Generalized System of Preferences. If the proposal is passed by Congress and put into force by the Executive Branch, it will have very serious impact on the nation's exports, he warned. Li has promised that the Economics Ministry will do everything it can to reduce the impact of protectionism and enhance the trade relations with the U.S. [Text] [Taipei CNA in English 0244 GMT 15 Jan 86 OW] /12712

PRIVATE OVERSEAS INVESTMENT--Taipei, Jan 15 (AFP)--A private trust company is to invest at least 100 million U.S. dollars in the international capital market, the first Taiwan investment in the overseas money market, it was announced today. China Invest and Trust Company (CITC) Limited would make the investment through a government-run bank, the International Commercial Bank of China (ICBC), a bank spokesman said. The ICBC is one of three government-run banking institutions authorized to buy treasury bills and bonds issued by foreign governments under a proposal approved last week to allow individuals and companies to invest in the international capital market. Details of the CITC investment of at least 100 million dollars were being worked out, and a contract would be signed soon, the ICBC official said. Taiwan's banking authority, the Central Bank of China, approved the proposal to allow individuals or companies to invest in the international capital market to ease excessive deposit holdings in local banks. The move was also designed to reduce the country's foreign exchange reserves, which amounted to a record 22.3 billion dollars early this month. The other two banks authorized to invest in the overseas market are the Central Trust of China (CTC) and the Bank of Taiwan. [Text] [Hong Kong AFP in English 0448 GMT 15 Jan 86 HK] /12712

TECHNOLOGY EXPORT CONTRACT SIGNED--Taipei, Jan 16 (CNA)--As part of its effort to boost the nation's technological exports, the state-run China Steel Corporation has recently signed a five-year contract with Indonesia to help the Southeast Asian nation build a large steel plant there, a CSC official said Thursday. Under the contract, China Steel will send a group of 124 technicians to assist the CRMI Steel Company in Indonesia to improve its steel refining technologies from 1986 to 1991, the official said. He also disclosed that China Steel's first cooperation project with CRMI started as early as 1984 and is scheduled to expire in 1989. Although the first project has not been completed, CRMI Steel decided to sign a second cooperation project with China Steel, and this indicates that it is fully confident of the services provided by China Steel, the official said. In addition to sending 124 technicians to Indonesia, China Steel will also train technicians from Indonesia here, which is part of the agreement, he added. [Text] [Taipei CNA in English 0951 GMT 16 Jan 86 OW] /12712

CNA ON FOREIGN CAPITAL INVESTMENT--Taipei, Jan 9 (CNA)--In 1985, capital investment in the Republic of China by overseas Chinese and foreign investors jumped 25.72 percent over the previous year's figure to reach US dollars 702 million, breaking all previous records, according to statistics released by the Investment Commission, Ministry of Economic Affairs (MOEA). This figure includes US dollars 81 million worth of beneficiary certificates issued by International Investment Trust Co. but even when that amount is deducted, total investment in Taiwan by overseas and foreign investors reached US dollars 620 million, topping all records set in past years, said an investment commission spokesman. Of the US dollars 702 million, some US dollars 660 million derives from foreign investors, while overseas Chinese accounted for the remaining US dollars 41 million. The United States registered the highest growth among foreign investors and made up the bulk of foreign investment. The chemical industry attracted the most investment, more than 30 percent of total, followed by the electric and electronics, finance and insurance, machinery equipment and instrument, and service industries. In contrast, domestic investment remains low, and even shows a decline of 9.33 percent relative to the 1984 total. [Text] [Taipei CNA in English 0325 GMT 9 Jan 86 OW] /12712

RECORD HIGH COTTON IMPORTS--Taipei, 8 Jan (CNA)--ROC's cotton imports reached a record high in volume last year with a total of 1.67 million bales, about 412,000 bales more than a year ago, according to an official of the Taiwan Cotton Spinners Association. Due to the drop in cotton prices through the second half of last year, the source noted, local cotton importers increased their purchases. The value of such imports totalled U.S. $375.8 million, some U.S. $48.5 million less than the figure for 1984. Most cotton imports last year came from the United States, Pakistan, and Brazil, but the U.S. share declined considerably from 40 percent to 20 percent. This decrease was due to the higher price level for U.S. cotton brought about by the U.S. Government's elevated buffer price. [Text] [Taipei CNA in English 0940 GMT 8 Jan 86 OW] /12712

REVISION OF FOREIGN INVESTMENT STATUTES--Taipei, Jan 10 (CNA)--The Ministry of Economic Affairs [MOEA] has completed its revision of the statutes governing foreign and overseas Chinese investment, promising to ease restrictions on foreign investors' remittances of foreign exchange and to increase the number of business categories open to foreign investment. An MOEA official said Friday that the revision will soon be sent to the Executive Yuan for screening. It will become law after it is approved by the Legislative Yuan, he said. The official, who preferred anonymity, said the focal points of the revision include: Profits and interests derived from the paid-in capital may be regarded as a kind of investment which may be remitted to other countries; The number of business categories open to foreign investors will be increased to include the service industry; Foreign and overseas Chinese investors may remit their paid-in capitals to other countries after a period of one year; Foreign and overseas Chinese investors will no longer be required to allow domestic employees to buy stock shares out of their additional investment; and Overseas Chinese investors will be relieved of their obligation to pay inheritance taxes in this nation. [Text] [Taipei CNA in English 0238 GMT 11 Jan 86 OW] /12712

EXPORT OF LOCALLY MADE CARS--Taipei, Jan 13 (CNA)--The first batch of ROC [Republic of China]-made automobiles to be exported is scheduled to be shipped to Canada in July this year, paving the way for the opening of the North American auto market for domestically manufactured cars, a ranking official with the Ministry of Economic Affairs said Monday. Liu Ta-pei, board chairman of Ford Lio Ho Motor Co., Ltd., called on Vice Economics Minister Wu Mei-tsun Monday and made a briefing on his company's preparations for the export of TX-3 passenger cars, a sedan recently being promoted in the Taiwan market. He said Ford Lio Ho will export TX-3S to Canada starting in July with the aim of selling 15,000 units this year at a unit price of U.S. dollar 5,000. The 1987 export target is set at 30,000 units. We noted that this will be the first large-scale export of ROC-made cars and he hopes it will be carried out smoothly so as to pave the way for the opening of the North American auto market. The vice minister also appealed to other ROC auto makers to work harder and try to sell their products abroad, not just to fight for the limited domestic market. [Text] [Taipei CNA in English 0300 GMT 14 Jan 86 OW] /12712

GOVERNMENT TO MAINTAIN MONOPOLY--Taipei, Jan 13 (CNA)--The government does not plan to allow the private sector to run the cigarette and wine businesses in this nation for the time being, the executive Yuan said Monday. The Taiwan Tobacco and Wine Monopoly Bureau [TTWMB] has monopolized the production and sales of cigarettes and wine here for many years. The government is determined to maintain the wine and cigarette monopoly system mostly because of revenue considerations, the Yuan said. The Yuan said that TTWMB has made great contributions to promoting agricultural development and to helping stabilize commodity prices here over the past years. TTWMB's tremendous yearly earnings have been one of the most important sources of the government revenue, the Yuan said. It has accounted for an average eight percent of the central government's annual income over the past three years, the Yuan added. TTWMB has established a sound cigarette and wine production system as well as sales networks throughout the island, the Yuan said. There might be some difficulties on how to effectively transfer TTWMB's equipment and sales networks to the private successor if the government were to allow private firms to run the business, it added. [Text] [Taipei CNA in English 0238 GMT 14 Jan 86 OW] /12712

OFFICIAL CALLS FOR MORE IMPORTS FROM FRG--As the Sino-German trade volume has reached U.S. $1.6 billion, or 3 percent of the nation's total last year, the ROC's [Republic of China] should consider importing more West German products to help diversify dependence on imports from the U.S. and Japan, the ROC Unofficial Representative in West Germany Sampson C. Shen said yesterday. As the sixth largest trading partner of the ROC, West Germany registered a trade surplus of U.S. $40.9 million with Taipei last year--with textiles, food and plastics as the ROC's major export products and vehicles and sophisticated mechanics as the major imports. Shen pointed out that high quality local

local products have won recognition from the West German Federal Government, which has called on its authorities to give fair treatment to trade relations with Taiwan. Shen added that Taipei and Bonn severed diplomatic ties as far back as World War II and it was not until 1958 that Free China was allowed to set up press services and trade centers in Bonn, Berlin, Hamburg and Munich to help expand the bilateral trade between the two countries. In addition to trade relations, Shen also called on the government to boost private cultural, educational, art and sports exchanges with West Germany to consolidate the substantive relations between the two countries. [Text] [Taipei CHINA POST in English 17 Jan 86 p 12 OW] /12712

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HONG KONG

HONG KONG TRADE WITH PRC ROSE 26 PERCENT IN PERIOD JAN-NOV 86

HK150645 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 15 Jan 86 p 3

[Article by Paul Baran]

[Text] Hong Kong's total trade with China in the first 11 months of last year illustrates how the country has displaced the US as the territory's major trading partner.

According to Census and Statistics Department figures released yesterday, total trade with China, including domestic exports, re-exports and imports, rose 26 percent to $108.1 billion in the period.

Total trade with the US in that period fell to $85.9 billion, a drop of 4.4 percent.

Also clear from the figures is how the slump in the economies of Hong Kong's major trading partners has dragged down the levels of the territory's domestic exports to those countries.

Domestic exports to China--Hong Kong's second biggest market in the category--was the only one to register a gain, up 41 percent to $13.8 billion over the period.

China's continuing importance as a re-export market was also clear from the figures. The value of shipments passing through Hong Kong to China rose a whopping 76 percent to $42.1 billion.

Hong Kong's northern neighbor also dominated the import list. Imports from China totaled $52.2 billion in the period, up three percent on the previous year.

Imports from Taiwan, meanwhile, shared top billing in percentage terms, climbing 22 percent of $19 billion.

Much of this trade is China-bound and is handled by Hong Kong middlemen with contacts on the mainland.

Imports from West Germany also rose sharply, up 22 percent to $6.9 billion.

Apart from China, domestic exports to all other nations--including Japan--fell, led in value by the US, which posted an eight percent drop to $52.5 billion.

After the US, the biggest drop in both value and percentage terms came from the UK, Hong Kong's third largest domestic export market.

Domestic exports to the UK plummeted 20 percent to $7.5 billion in the period, followed by fourth-ranked West Germany, down 18 percent to $6.9 billion.

Other declines were registered by Japan (13 percent to $4.1 billion), Canada (four percent to $3.9 billion), Australia (13 percent to $3 billion), Singapore (15 percent to $2 billion), the Netherlands (16 percent to $1.8 billion) and France (10 percent to $1.6 billion).

By category, all but one domestic export category fell.

Exports of Hong Kong's leading money earner, the clothing and accessories sector, fell six percent to $39.8 billion during the period, while those of the second-ranked toys and sporting goods category fell five percent to $19.1 billion.

Domestic exports of telecommunications and sound-recording equipment recorded the sharpest fall in percentage terms, down 19 percent to $8.2 billion, while sales of electrical equipment and appliances were off 13 percent to $9.2 billion.

The only category to gain was photography equipment, optical goods and watches and clocks, which rose four percent to $9.9 billion.

Textile yarn, fabrics and made-up articles fell 12 percent to $6.9 billion.

The US remained Hong Kong's second biggest re-export market, with a 20 percent rise to $13 billion in the period.

Japan also remained stable in third spot, with a 20 percent climb to $4.9 billion.

Re-exports to fourth-ranked Taiwan, however, fell 11 percent to $3.9 billion, as did [those] to Singapore, down six percent to $3.9 billion.

In percentage terms, re-exports to West Germany made the biggest gain, up 39 percent to $1.3 billion.

The sharpest percentage drop came from re-exports to Indonesia, which plummeted 37 percent to $2.1 billion.

By re-export category, textile yarn and made-up items topped the value list, with a 26 percent gain to $14.4 billion, followed by electrical machinery and parts, which rose 10 percent to $8.3 billion.

Re-exports of telecommunications and sound-recording equipment scored the biggest percentage gain, up 74 percent to $6.5 billion, while photographic equipment, optical goods and watches and clocks rose 11 percent to $5.1 billion.

By import category, textile yarn and made-up articles continued to dominate by value, although it posted no growth to total $29.8 billion.

Imports of second-ranked electrical machinery and parts, however, fell 15 percent to $17.6 billion, while photographic equipment, optical goods, watches and clocks posted a 14 percent gain to $12.3 billion.

Clothing and accessories imports rose 11 percent to $11.6 billion, while those of telecommunications and sound-recording equipment climbed 21 percent--the highest in percentage terms--to $11.3 billion.

Imports of miscellaneous manufactured items, including toys and sporting goods, rose 15 percent to $10.2 billion.

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